

Nation's Business

A USEFUL LOOK AHEAD

DECEMBER 1959

COMING
IN '60

MORE SALES

MORE JOBS

MORE SPENDING PAGE 68

Top business executives forecast the year ahead in latest Nation's Business survey

New storm brewing over your money PAGE 33

The truth about trade with Russia PAGE 91

You can spot office politicians PAGE 42

How to use the new labor law PAGE 40

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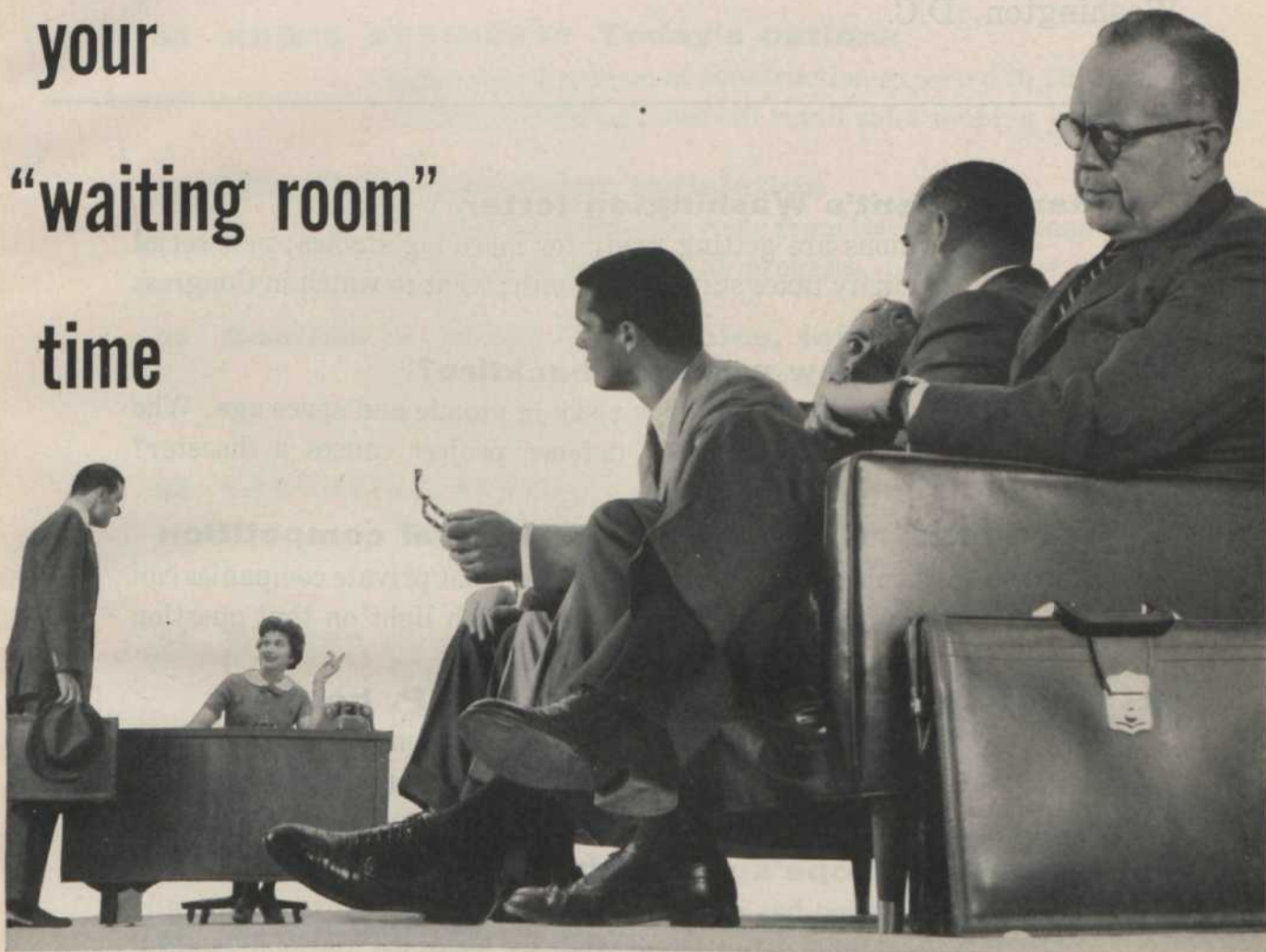
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Nation's Business

December 1959 Vol. 47 No. 12

Published by the Chamber of Commerce of the United States
Washington, D.C.

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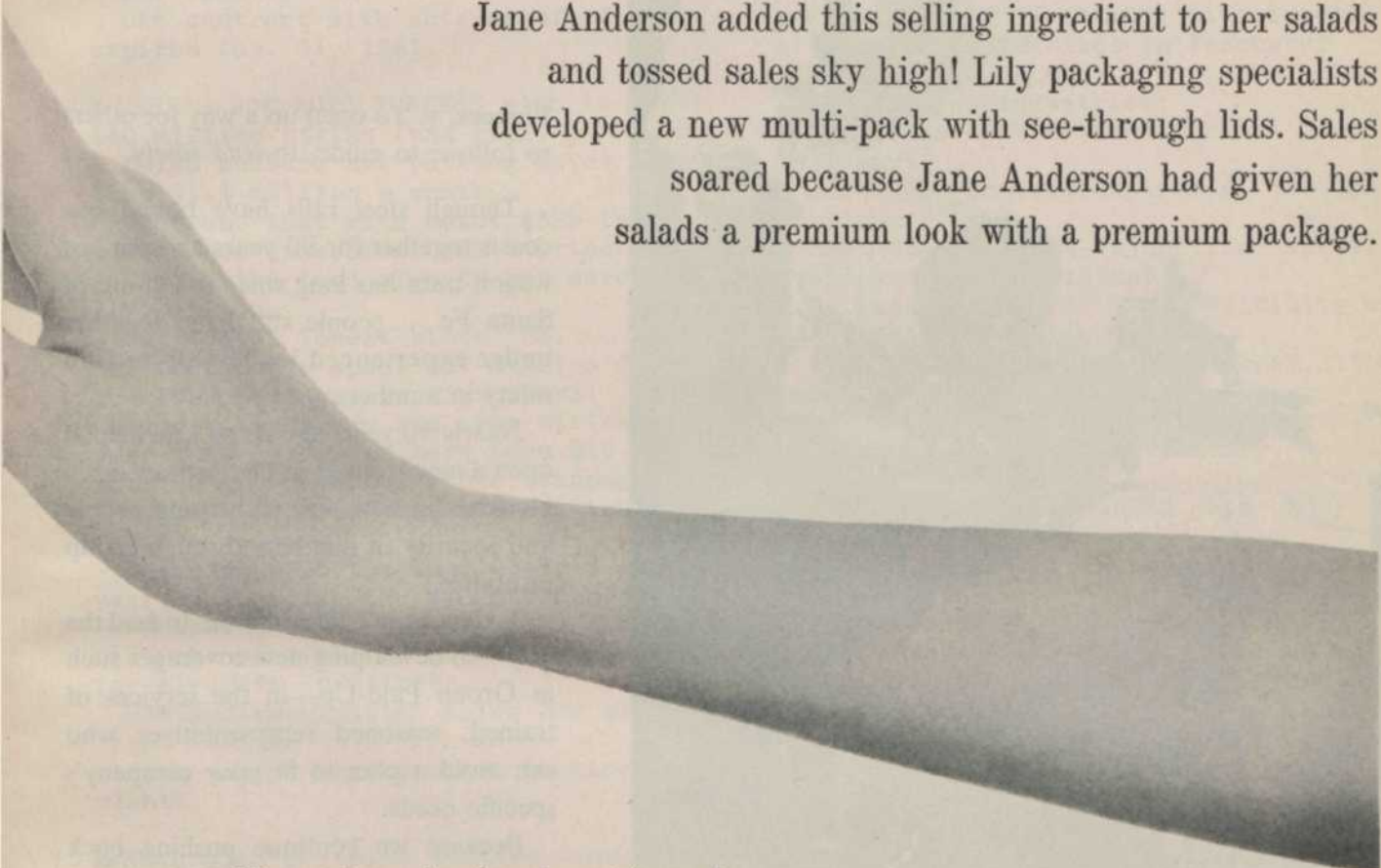


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management's WASHINGTON LETTER

► **MORE UNIONS ARE GETTING READY** for long strikes in years ahead.

Note action by United Auto Workers.

UAW's aim is to build up a strike fund of at least \$40 million by fall of '61.

Why fall of '61?

UAW contract with auto manufacturers expires Aug. 31, 1961.

► **HERE'S HOW AUTO WORKERS** plan to reach \$40 million strike fund goal.

Union members are putting aside more than \$1.6 million a month.

Contrast that with about \$325 thousand before new assessment was started.

UAW strike fund already has more than \$17 million.

But that's lowest since '55.

Members have spent \$57 million from the fund during past five years.

Even without any big auto strikes this year, UAW has spent more than \$10 million for numerous other stoppages.

Outlay was more than \$22 million in '58.

Spending from the fund could soar next year, jeopardize the \$40 million goal.

Reason:

Strike possibility looms next spring for aircraft industries.

UAW and machinists' union are planning joint action.

Both unions have members in aircraft plants.

► **REAL GOAL** of union leaders--including UAW--is to get ready for anything that might happen in '61.

And this has significance for every business planner.

What really is so important about the fall of '61?

There's more to it than expiration of the auto contract.

Union leaders--like a number of economists--expect business conditions at that time to be somewhat less favorable than the peak of activity next year.

Does that mean a business downswing is coming in '61?

It's possible.

It's too far ahead to know for sure, but economists in Washington seem pretty sure that business in '61 won't be quite as buoyant as it will be in '60.

For example:

The auto industry expects to sell

7 million cars in '60, fewer in '61.

Union leaders are planning on that basis, getting big strike funds ready for long shutdown periods in future years--if they come about.

► **WILL AMERICA BE TREATED** to a spectacle of three major strikes in February?

That could happen.

Watch these industries:

Railroads--Strike deadline is February.

Steel--Injunction expires at the end of January.

East Coast docks--Injunction expires two days after Christmas.

But watch also for the possibility of congressional action.

After 80-day injunction expires, if no agreement has been reached, the President makes a report to Congress.

Congress could act in January.

► **NEW SESSION OF CONGRESS** gets under way next month.

Here's a preview of top issues you'll want to watch.

Strikes--Watch for possible action on a new law prescribing the role of federal government in strikes critical to the national economy.

Such a law might also prescribe the role of government in plant seizure.

Strikes are sure to occupy the interest of Congress.

Specific proposals will begin unfolding early in January.

For a preview of the labor issues, see page 58.

Wage fixing--Proposal would set lowest wage you can pay at \$1.25 an hour (it's \$1 now) and extend coverage to an additional 10 million employees.

Count on strong pressure for passage.

Minimum wage was raised from 75 cents in '56--also an election year.

Business mergers--Many companies will have to notify government before merging with other firms if a bill before the Senate becomes law.

Price controls--Proposal would require you to notify the government before raising prices.

Passage may depend heavily on price trends early in '60.

Socialized medicine--Count on a big push to provide free hospitalization and

nursing care as new Social Security benefits.

Interest rates--President will ask that 4% per cent ceiling on long-term government bonds be lifted.

Look for much talk, no action.

Federal Reserve--Pressure is mounting to get a congressional change in Federal Reserve law to require the President to appoint one or two representatives of labor to the Board of Governors.

Movement is likely to gain momentum.

Tax reform--Important action is possible.

Thing to watch for is what proposals might come out of public hearings being held by House Ways and Means Committee.

Broad review of income tax philosophy, entire scheme of federal taxation is under way by Chairman Wilbur Mills.

Education--Backers of federal subsidies for school construction and teachers' salaries are planning a new push.

Also gathering momentum is a drive to provide so-called GI education benefits for peacetime military veterans similar to war vet benefits.

National defense--Question of wasted dollars will come up, as will questions of being second best to Russia.

Big issue will be how much to spend.

Count on lengthy debates.

Foreign aid--Issue here will be one of loans vs. grants.

Administration wants to cut down on grants, is likely to reduce request for total foreign aid spending.

Postal deficit--Administration wants to raise rates to eliminate \$400 million postal deficit.

Congress will be slow to approve higher cost of postage.

Community facilities--This involves federal spending for local projects such as city sewers, parks, streets, sidewalks.

Depressed areas--Pressure will continue for federal help in financing solutions for regional economic problems.

Veterans' compensation--Pressure groups want \$100 a month pensions for veterans of World War I.

Chance of passage is poor, but the issue will make news.

Unemployment pay--Proposal would set up federal standards for such things as

minimum jobless pay, minimum weeks of payments.

Farm subsidies--Congress will be looking for ways to reduce federal cost of the subsidies, also ways to use farm surplus commodities.

►THORNBEDDING--That's a term you'll hear a great deal about in coming weeks.

It's a word railroad unions will try to substitute for featherbedding.

As the union sees it, thornbedding consists of:

No expense payments while on out-of-town assignments, no overtime pay on seven-day work, no supplemental jobless insurance.

No differential for night work, no extra pay for holiday work, no premium pay for Saturday or Sunday work.

No severance pay on dismissal.

Union leaders mention these things in answer to management's charge that featherbedding costs the railroads hundreds of millions of dollars.

This position foreshadows possibility of a shutdown strike.

Here's what Association of American Railroads has to say:

Such arguments are a smokescreen and dodge the question of staffing unnecessary positions and paying for work not done.

Operating employees in yards do receive either extra pay for holidays or the equivalent in higher hourly wage rates.

Road trainmen were denied paid holidays by government action.

Question of away-from-home expenses has been raised repeatedly but also is answered by the much more favorable earnings position of this group.

As for severance pay, railroad workers can draw up to \$51 a week for as long as two years--plan financed solely by the railroads.

Featherbedding (the Association says) creates a waste of more than \$500 million a year--burden borne by the public in fares and freight charges it pays.

Railroad managements' objective in seeking to eliminate this waste is: A fair day's work for a fair day's pay.

►RECOVERY FROM STEEL STRIKE will give momentum to the economy during early months of '60.

management's WASHINGTON LETTER

But don't count on a really fantastic recovery.

Work stoppages in '59 have depressed the nation's economy and economists say it will take a little time to get up steam.

Look at these trends:

During early '59 the output of all goods and services in the country was going at the annual rate of \$470.2 billion.

During the second quarter the economy was racing along at the rate of \$484.5 billion.

Then--at midyear--the rate slipped back to \$481 billion.

Economists blame work stoppages.

Our economic growth pattern has been interrupted.

During final quarter, the rate will go up a little, then climb during early months of '60.

But the drag of work stoppages will take some months to overcome.

On balance: You can count on '60 being a good year for business.

►DON'T COUNT ON any new business coming from this year's expansion of trade with Russia.

Although Soviet Union has more than 210 million persons, although communist leaders say they want trade with U. S., no real potential exists.

Russia would like to boost trade with U. S. to neighborhood of \$150 million to \$200 million a year--or more.

Trade experts in Washington say it can't be done.

Russians in '58 bought about \$3.5 million worth of goods from us, will buy maybe twice that much this year, possibly three times as much in '60.

But there the expansion will stop.

At least seven major roadblocks stand in the way.

One of them:

Russia hasn't the dollars to buy from us in large volume.

Why not? Explanation's on page 91.

►WHAT'S HAPPENING in Europe provides a chance to see how economic changes can alter living standards.

Note developments of European Common Market.

This new arrangement for free trade is

expected to boost standard of living to the level of U. S. by '75.

Today's standard is about a third of the U. S. level.

What will the free trade arrangement in Europe mean to American business?

There'll be both benefits and problems.

See page 38 for details.

►THE WORD IS OUT--Uncle Sam is headed for another budget deficit.

Government's official estimates still show an expected small surplus of revenue over spending for year ending next June.

But that prospect has vanished.

Details of the deficit may be disclosed this month.

Here's the situation:

Government at this time officially anticipates spending \$78.9 billion during fiscal '60. Official tax collection estimate is \$79 billion.

That would leave a small amount of cash on hand at year's end.

But the large number of work stoppages and resulting economic slippage puts that small budget balance in jeopardy.

Budget and revenue analysts are trying now to anticipate how much less than \$79 billion the government will actually collect.

Best guess at this time:

At least \$500 million less.

Will spending exceed \$78.9 billion?

Probably.

►TAXES FOR SOCIAL SECURITY go up again in January.

Higher rate will take another \$24 out of each employee's take-home pay and cost employers a similar amount for each person on the payroll.

But benefits won't increase.

Tax increase is caused by previously voted benefits.

Most recent tax increase went into effect last January.

After next month's new increase, next hike will come in '63.

Other increases are scheduled for '66 and '69--when the Social Security tax will be almost double what it is today.

The rate in '69 will cost each employee \$4.15 a week compared with \$2.31 now.

Persons then earning only \$4,800 a year will be paying \$216 a year.



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**WATCH
THIS ISSUE**

Who pays if new weapons backfire?

A SATELLITE-CARRYING Juno II rocket rose from its launching pad at Cape Canaveral and suddenly veered off toward the Florida mainland. It was exploded by the range safety officer. Scientists and other observers remained in the nearby blockhouse for more than an hour, waiting until the danger from exploding solid-fuel rockets in the missile's upper stages had passed.

The trouble was traced to an inverter generator, which converts DC power to AC and feeds it to the guidance brain of the missile. With the power cut off, the brain did not function and the missile headed in the wrong direction.

Such incidents, not uncommon, have led Defense Department and National Aeronautics and Space Administration contractors and subcontractors to wonder: What if the missile's safety mechanisms also had failed to function and the destructive fuel load had been carried to a Florida city?

Who would have been held responsible for the resulting multi-million dollar damage?

Would the courts have held only the government liable or would they have extended liability to the prime contractor and on to the subcontractor who supplied the faulty generator? Many companies could be ruined by such claims.

From the point of view of the general public, the question arises of whether claims from the deaths, injuries and property damage resulting from such a catastrophe could be fully met. The assets of any companies held liable would be limited, and the federal government is not easy to sue.

One in six launchings of larger missiles ends in failure. An important factor in these failures is the extreme complexity of missiles, the tremendous number of components which can go wrong. The Juno II has approximately 300,000 parts, and more than 1,000 companies are involved in their manufacture.

Many projects vital to our defense and space programs place the companies involved in an unusually hazardous position. In addition to missile work, great risks exist in projects involving atomic energy, such as nuclear-powered ships and aircraft. Other projects carrying extreme liability, involving neither missiles nor nuclear energy, are still secret.

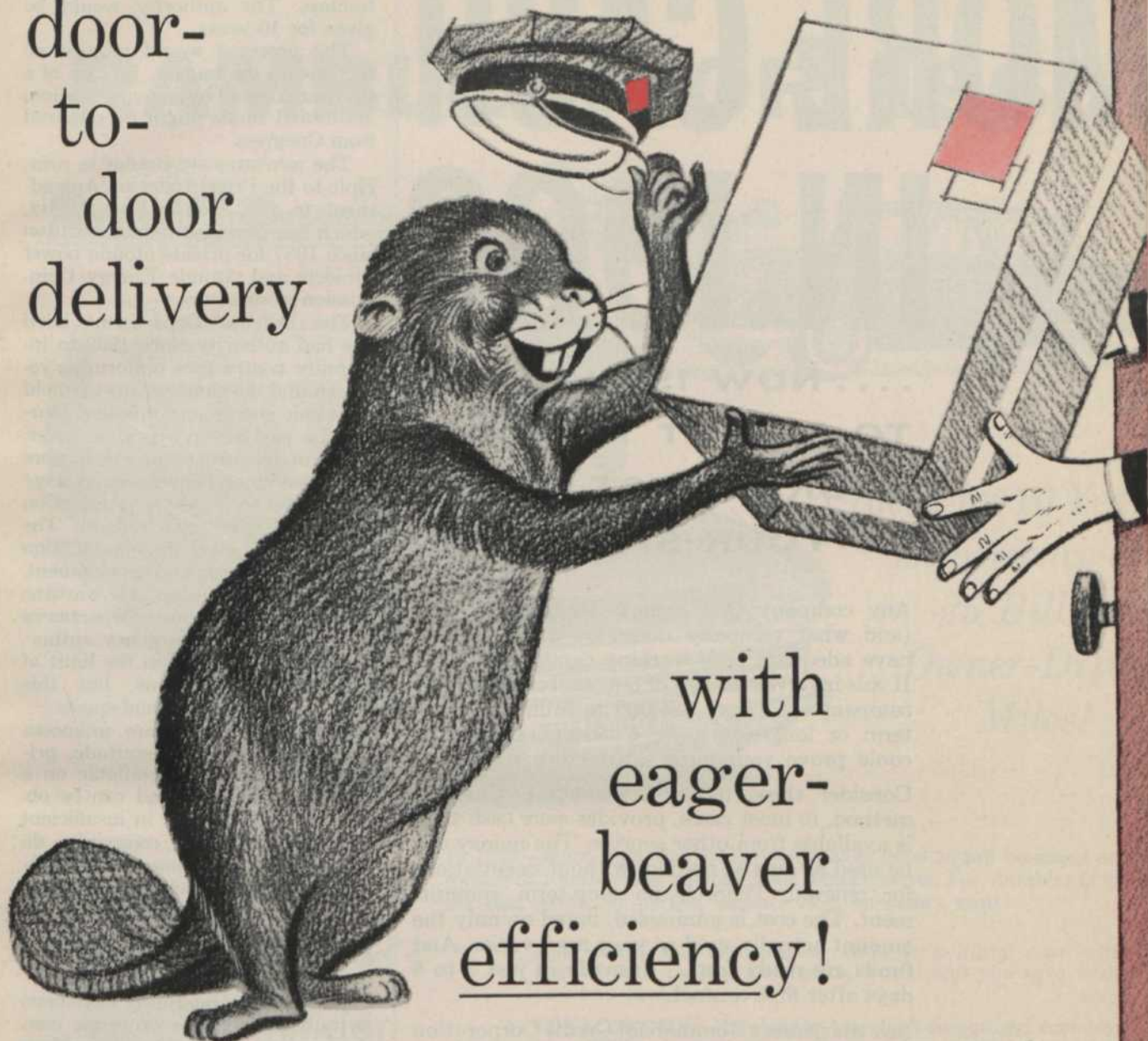
As many as 5,000 companies of all sizes are bearing the risk in such programs. In fact, the danger to a small subcontractor is greater than to a prime contractor because the small firm lacks the financial resources to meet extensive claims.

Bills pending in the Senate and House Armed Services Committees and the House Committee on Astronautics would shift the burden of risk to the federal government. Introduced at the request of the Department of Defense and National Aeronautics and Space Administration, the measures have the enthusiastic support of businessmen provided they are limited to truly unusual hazards and make provision for full utilization of available private insurance.

Defense Secretary Neil McElroy has stated that his department "will be unable to enter into many supply or construction contracts involving atomic energy systems or weapons, missiles, special propellants, and other projects involving unusually hazardous risks" unless it can provide indemnification to contractors on such projects.

The proposed legislation would authorize the Defense Department and the National Aeronautics and Space Administration to indemnify their contractors and subcontractors involved in projects of unusual hazard. Indemnity would be provided only for liabilities above those covered by private insurance, and a limit of \$500 million would be set on the government's obligation for any one accident and also on the liability of the indemnified con-

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BACKFIRE

continued

tractors. The authority would be given for 10 years.

The proposal would require no increase in the budget. In case of a disaster covered by indemnification, additional funds might be required from Congress.

The measures are similar in principle to the Price-Anderson Amendment to the Atomic Energy Act, which has provided indemnification since 1957 for private atomic power projects and Atomic Energy Commission contractors.

The Defense Department itself has had authority since 1952 to indemnify contractors performing research and development in the field of atomic energy and missiles. During the past seven years, however, many of the programs which were in a research and development stage have advanced to a production status, but the risks remain. The NASA lacks even indemnification power for research and development.

Under an extension of a wartime statute, the Defense Department and NASA have emergency authority to indemnify within the limit of existing appropriations, but this power is regarded as inadequate.

Because the risks are unknown and of tremendous magnitude, private insurance is unavailable on a number of projects and can be obtained on others only in insufficient amounts. Insurance companies do not object to government indemnification of risks which private insurance will not meet, but want to be certain that private insurance is fully utilized to the extent that it is available.

While there apparently have been no outright refusals of prime contractors to undertake hazardous work because of lack of indemnification, instances have been cited of difficulty in persuading subcontractors to supply component parts. In one case, it was necessary for a prime contractor to design and build an electric motor to be used in a nuclear system because the only firm making it would not sign a subcontract without risk coverage.

Defense contractors point out that they have continued to undertake hazardous projects without risk coverage on the assumption that indemnification will be forthcoming within a reasonable length of time. Should Congress refuse to authorize it, some contractors indicate that a reappraisal of their position might become necessary. **END**

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Between 1954 and the end of 1957, under continuous urging by the Secretary of Defense and the White House, the Department of Defense examined 1,700 commercial and industrial activities it was operating. As a result, the Department says 268 activities were discontinued; 57 were curtailed.

Then, in January, 1958, two groups responsible for seeing that the major Hoover Commission recommendations were carried out were discontinued.

At that time the Assistant Secretary of Defense for Supply and Logistics also delegated to the military departments his authority to make final decisions regarding the necessity of any particular commercial and industrial-type activity.

Since then the government's decompetition program has been slowed.

From early 1958 until mid-1959 the Department resurveyed 695 of its commercial and industrial-type activities. During this period 63 were discontinued and 13 were curtailed.

Another 942 business-type activities of the Department have yet to be surveyed for the first time. These include such things as post exchanges, commissaries, meat-cutting

plants, cafeterias, orthopedic manufacturing facilities, dental manufacturing facilities, and various industrial plants.

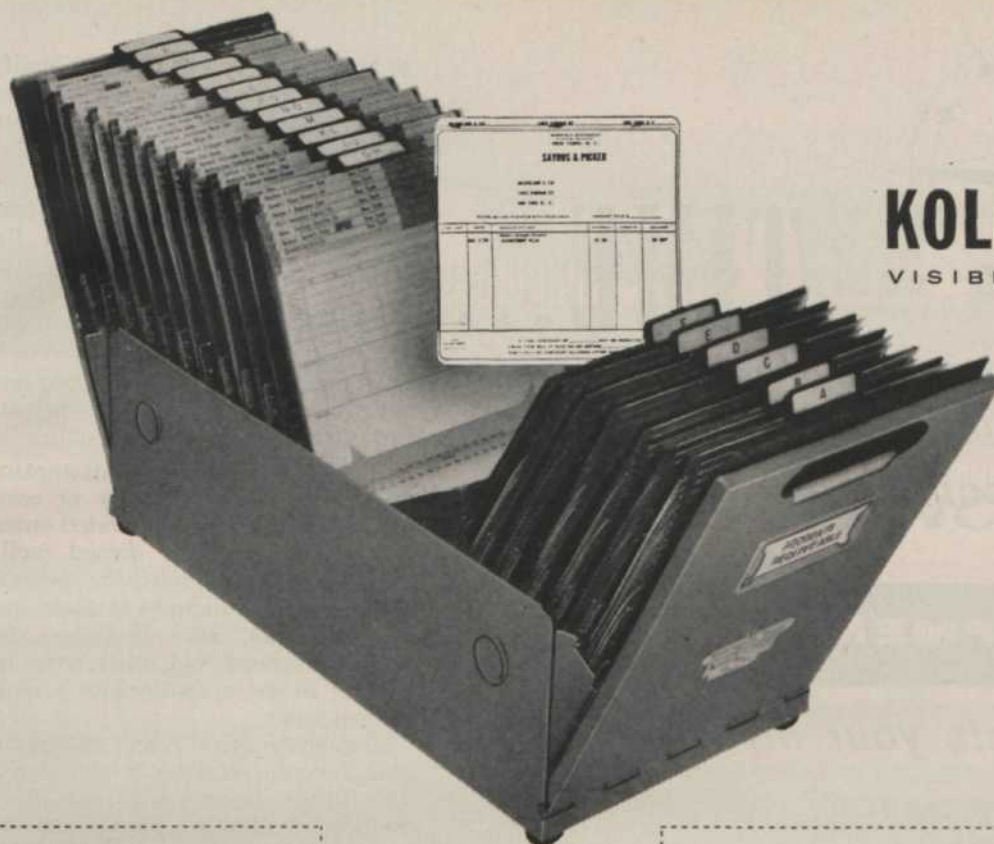
Four years ago the Department of Defense owned 288 industrial plants valued at approximately \$8.7 billion. Some were engaged in research and development. Others were producing such items as explosives, weapons, aircraft, ships, metals, chemicals, electronic and fire-control equipment, charcoal, batteries, optics, turbines and gears, graphite, clothing and other supplies. In addition, five aircraft plants were under construction.

Although the Department of Defense has withheld information concerning these plants, it has been learned that the government's inventory of plants that compete with private industry has changed only insignificantly. About a year ago, only 30 stand-by plants had been turned over to the General Services Administration for sale or other disposition.

Now Budget Director Maurice Stans has issued a new directive instructing government agencies to complete by the end of this month the evaluation of all their commercial-industrial activities which they have not appraised previously and, where appropriate, act to discontinue them.

Mr. Stans says his new policy will have the twofold benefit of furthering the free enterprise system and permitting government agencies to concentrate their efforts on primary objectives.

Those agencies which report that they are conducting commercial-type activities—including agencies outside the Department of Defense



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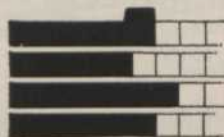
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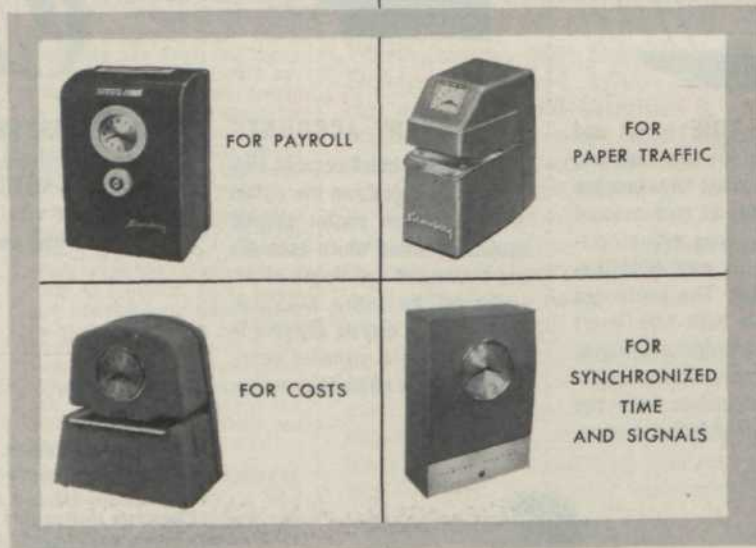
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COMPETITION

continued

as well—will be required to justify their continued existence. One of three criteria may justify continuing the activity.

The three are:

1. That national security requires the government operation of the facility.
2. That procurement from private industry would be unreasonably costly.
3. That procurement of comparable goods or services from private enterprise is clearly unfeasible.

The Budget Bureau is attempting to get true comparability of costs between government-operated enterprises and privately owned facilities by insisting that the government agencies include in their cost computations an allowance for taxes, overhead and other costs involved in the operations of private enterprises.

Sometime after Jan. 1, when the new inventory-taking is completed, the Budget Bureau will have information available concerning all types of commercial activities carried on by the government for the production of goods and services intended for the government's own use. This covers activities in all agencies, including the Department of Defense. The most recent inventory—the spring of 1956—revealed almost 20,000 federally operated business activities that employed some 340,000 persons. Those facilities had assets valued at approximately \$12 billion.

Activities and facilities range in size from very small business and commercial-type operations to very large. Of noteworthy size is the controversial Military Air Transport Service sometimes called MATS. Larger than all commercial airlines operating in the U. S. combined, MATS provides luxury airline service to nearly all parts of the free world for civilian government personnel as well as military personnel and their families.

While the military airline serves many regions off the normal schedules of civilian airlines (such as the U. S. base at Thule in the far north of Greenland), it also serves regularly scheduled passenger service to ports regularly served by commercial airlines.

Meanwhile, here are some examples of progress in the decompetition program involving industrial
(continued on page 22)



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It took a big, bold step to bring you the incredible ride and handling you find in '60 Chevrolet trucks. It meant throwing away the front axle in favor of fully independent suspension with torsion springs. It included redesigning rear suspension; increasing the stability of light-duty models with wide based coil springs; increasing the work life of heavy-duty Chevrolets with variable rate leaf springs. Cabs were made roomier, 67% more rigid and cushioned with rubber mounts. Precision wheel balancing was installed as a step in final assembly.

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A LETTER NINE MILES LONG

Probably this care is best demonstrated in a laboratory where mechanically operated typewriters work at incredible speeds in a nonstop, around-the-clock endurance test. At the end of the test, the typewriters had performed some 56 million key strokes—the equivalent of a letter nine miles long—and yet the typewriters showed remarkably little wear.

4,000 PHOTOGRAPHS A SECOND

To get this kind of ruggedness and durability, IBM engineers scrutinize every operation of the typewriter. For instance, a high-speed camera takes 4,000 photographs a second to track a single key stroke. By projecting the film in extreme slow-motion, engineers can detect the slightest wobble in the type bar movement, as well as make sure the type bar has just the right bounce as it returns to position.

A LOW, SMOOTH SOUND

Even the quality of the typewriter's sound is important. In an echoless

sound chamber, a microphone listens for every sound made by a typewriter and relays the sounds to instruments that analyze their quality as well as intensity. The results enable engineers not only to filter out any harsh noises—but also to preserve the low, smooth sound necessary for a secretary to control typing rhythm.

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It takes more than engineers, however, to make letters out of letterheads. For impact and readability, it takes an artist's eye to design type styles—dozens of them—that are as personal as handwriting, as distinguished as printing. And to insure that every typewriter reproduces flawlessly the artist's original designs, the outline of each type character is held to a tolerance closer than a thousandth of an inch.

To please the secretaries who will type the letters, it takes psychologists. When engineers discovered that the typewriter worked better when each key was depressed fifty thousandths of an inch deeper than was originally planned, psychologists were used to test whether secretaries could tell the difference (they couldn't).

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On the production line other IBM specialists keep watch on quality in equally precise, and sometimes surprising, ways . . . subjecting each typewriter, during final inspection alone, to 119 separate checks . . . setting up tolerances for some typewriter parts that are 1/12 the diameter of a human hair . . . using dental mirrors to check and adjust the inside of the typewriter carriage . . . using electronic timers to measure the speed

of each type bar within an accuracy of ten millionths of a second.

RANGOON TO REYKJAVIK

Since IBM Electrics must perform as well in Burma as they do in Iceland, technicians eliminate doubt through exposure tests in a weather room. There they reproduce any climate from Rangoon to Reykjavik with temperatures that range from tropic heat to arctic cold, and with relative humidity just this side of monsoon rain.

To make sure the typewriter will withstand the rough-and-tumble of shipment, each type of shipping carton is tested. In one such test, a standard shipping carton, complete with typewriter, was pressed with a five hundred pound load—dropped from a loading platform on each side, each edge, each corner—and, finally, slammed against a wall at 10 miles an hour. The typewriter still functioned perfectly.

OUR FAVORITE TEST

These and scores of other tests and checks are the ways we measure the quality of IBM Electrics during every step of building them—from design to tooling, from assembly to shipping.

The test of quality we like best, however, is not really a test at all, but more of a marathon. Some of our first customers are still using their original IBM Electrics . . . purchased 26 years and over a million typewriters ago. This perhaps is one of the deciding reasons why executives—whose business it is to judge quality—usually prefer the IBM Electric.

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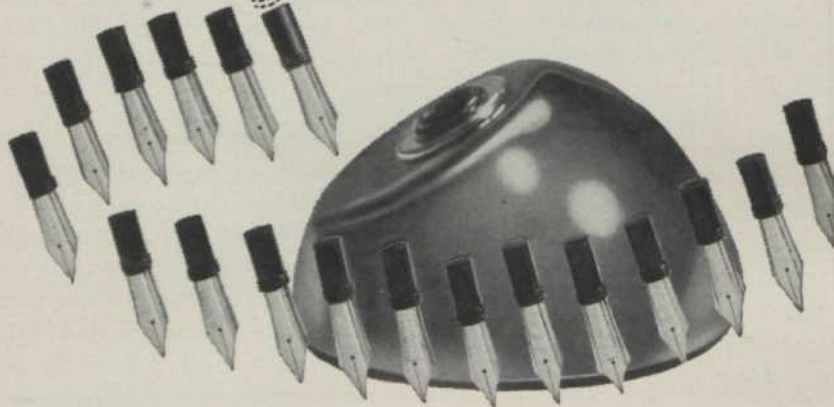


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Black, \$2.95*

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*List price per single unit. See your supplier for quotations.

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†T.M. The Esterbrook Pen Co.

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COMPETITION

continued

activities of the Department of Defense.

Aluminum—Only two out of nine smelting or sweating plants have been closed or scheduled for closing.

Scrap metal—Only 11 out of 29 metal-baling facilities have been closed or scheduled for closing. Another eight have been curtailed or scheduled for curtailment.

Bakeries—Of 58 bakeries, the Department of Defense has closed or decided to close only 28.

Laundries—With 136 laundries and dry-cleaning plants, the Department of Defense has closed or decided to close only eight. Operations at another 11 plants have been curtailed. (Note: The Hoover Commission inventoried 163 laundries and dry-cleaning plants but the Pentagon has reported only 136 surveyed. The difference in number of plants has not been explained.)

Acetylene manufacturing—Only one of seven such facilities has been closed and one other curtailed.

Auto repair shops—The Pentagon has surveyed 405 auto repair shops and has closed 74 or set them aside for closing. Another 34 have been or will be curtailed.

Office equipment repair shops—Of 199 such shops only 37 have been closed. Another 56 will be curtailed. (Note: The Hoover Commission identified 221 shops of this type.)

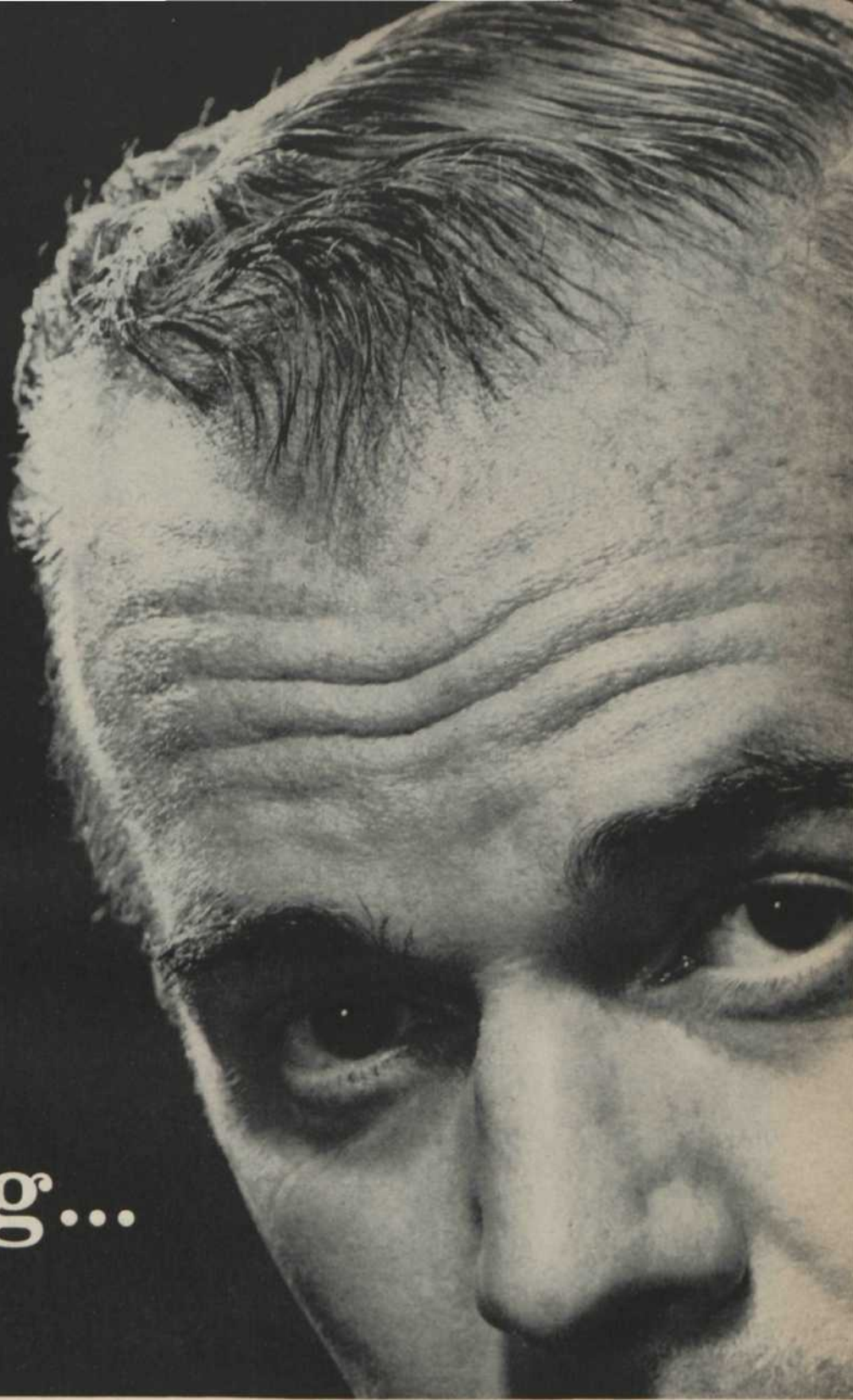
Power plants—None of the 36 plants operated by the Department of Defense has been closed or curtailed. None is scheduled for closing or curtailment.

Dental manufacturing—The Hoover Commission found the U. S. Air Force operating 166 dental manufacturing plants, the Navy operating 73, and the U. S. Army five. No action to close or curtail any of these plants has been taken.

Orthopedic manufacturing—The Army has 30 orthopedic manufacturing facilities, the Air Force 11, and the Navy two. None has been closed or curtailed.

Meat-cutting plants—The Hoover Commission found 71 meat-cutting plants with 100 civilian employees and 1,150 military personnel employed. None has been closed or curtailed.

Telephone systems—The Department of Defense has 309 government-operated telephone systems and has disposed of or wants to dispose of 127 of them. Congress has blocked this action. **END**

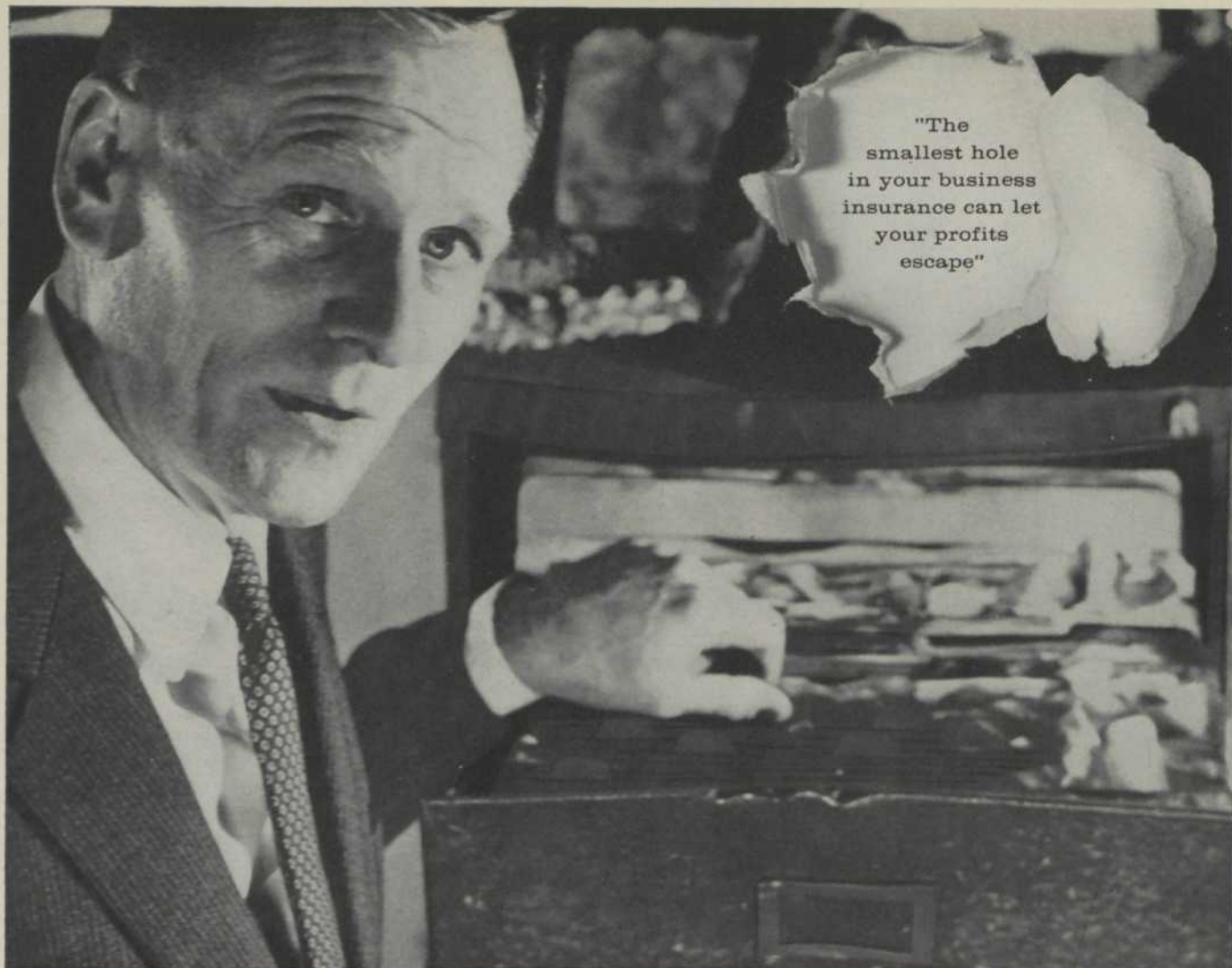


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Optimistic Republicans pin hopes on one issue

BY EDWARD T. FOLLIARD

JAMES A. FARLEY, the great political strategist of New Deal days, once remarked that "there is nothing so uncertain as politics." Big Jim's fellow Democrats heartily agree with him as 1959 draws to a close. They have seen the political picture undergo an astonishing change, and they are not happy about it.

There could be—and doubtless will be—further changes between now and Election Day, 1960. For the time being, however, the Republicans are a lot more confident than they were 12 months ago. They are making no bold claims. But they have high hopes that they will be able to go to the country with a "Peace and Prosperity" slogan, and they think this would have a powerful appeal for the voters.

About this time a year ago, the Democrats were in a glow of optimism as they looked ahead to 1960. They had trounced the Republicans in the midterm congressional elections of 1958, and piled up majorities in the Senate and House.

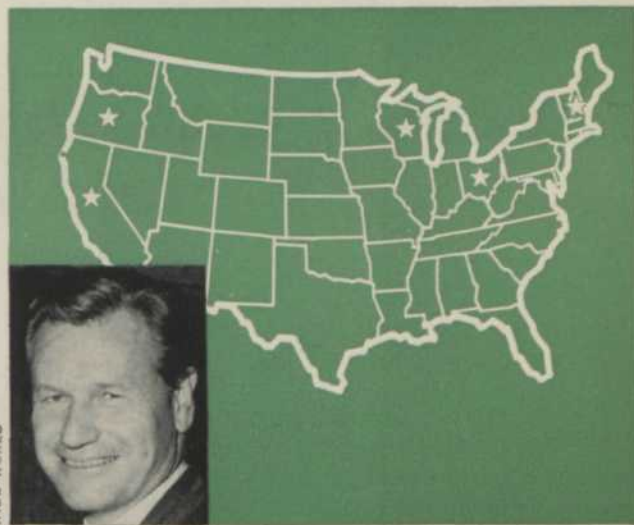
Moreover, they were heartened by the fact that the Twenty-second Amendment to the Constitution made it impossible for President Eisenhower to run for a third term—in the unlikely event that he aspired to a third term.

The outlook was so promising that no less than four Democrats in the United States Senate began to eye the White House in spite of the fact that only one senator in our history (Warren G. Harding of Ohio) has ever been elected directly from Capitol Hill to the Presidency.

Two things were to cloud the political picture for the Democrats. One was the ending of the 1957-58 recession. The other was the Eisenhower Administration's startling adventure in personal diplomacy. This began with Vice President Richard M. Nixon's trip to Russia. It had its main impact on Americans when the President invited Soviet Premier Nikita S. Khrushchev to the United States, and promised for his part to fly to Russia in the spring.

This month President Eisenhower is off on a 20,000-mile grand tour that will embrace Italy (where in

Rome he will visit Pope John XXIII), Turkey, Greece, Afghanistan, Iran, India, and Pakistan before he attends a Western Summit Conference in Paris. On the way back he will stop off at Madrid, Spain, and at Rabat, Morocco.



WIDE WORLD

Victories in these state primaries might win nomination for Governor Rockefeller

As a result of the Administration's peace drive, President Eisenhower's stock has risen sharply in the popular opinion polls. Vice President Nixon's graph also has shot upward.

The interesting thing about all this is the turnabout of sentiment among Americans in the space of a year. Forgotten now, or at least dimmed, are the issues that hurt the Republicans so much in 1958—the recession, Russia's triumphs with Sputnik and other space vehicles, the Sherman Adams affair, the talk about "a part-time President," and so on.

What has happened goes to prove that world peace is the overriding issue of our times. What are the

TRENDS: WASHINGTON MOOD

Democrats to do in such a situation? Paul Ziffren, Democratic National Committeeman for California and a shrewd politician, says they have no choice but to applaud the President as he tries to negotiate a live-and-let-live arrangement.

"You can't fight peace," Mr. Ziffren says. "The minute you do, you're beaten."

Vice President Nixon has benefited greatly from the Administration's peace efforts—so much so that he appears to have lengthened his lead over Gov. Nelson A. Rockefeller in their race for the Republican presidential nomination. Governor Rockefeller



FRED J. MAROON

Key area's in Senator Kennedy's campaign strategy: East, Middle West and Far West

is not nearly so deeply committed as is Mr. Nixon in the matter of East-West cooperation. He is skeptical about the Kremlin's intentions and good faith. It might be said that he feels about the Soviet leaders as the late John Foster Dulles felt about them, and as Mr. Nixon himself once felt about them. In short, he thinks that an American politician is taking grave chances in tying his fortunes to anything so mercurial as Soviet diplomacy.

This being the case, Governor Rockefeller almost surely would have a better chance for the G.O.P. nomination if peace hopes were exploded at next spring's Summit Conference in Geneva.

As the professionals here see it, the New Yorker would be wise not to count too much on such a blow-up in East-West relations before the Republican convention in Chicago next July. They think his best—perhaps his only—chance of winning the presidential nomination lies in fighting it out with Mr. Nixon in the spring primary elections in New Hampshire, Ohio, Wisconsin, Oregon, and possibly (if he is really in an audacious mood) in the Vice President's own state of California.

The pros say that if Governor Rockefeller could whip Mr. Nixon in these primaries, or in most of

them, he might then be able to stampede the Chicago convention and become his party's standard-bearer.

All this, of course, is merely an exercise in what might happen. The Nixon strategists just can't see Governor Rockefeller sweeping the primary elections. They do think, however, that he is going to try.

Turning to the Democratic picture, this is just as confused now as it was six months ago. Furthermore, it promises to go on being confused right up to the time of balloting at the convention in Los Angeles.

Senator Kennedy, front-runner in the Gallup Poll, has decided on a bold and challenging strategy. He intends to enter primary elections in the East, Middle West and Far West. He feels that he would be entitled to the nomination if, at convention time, he is still tops in the polls.

The New Englander thinks that the Democratic Party would have some explaining to do if it turns him down in such circumstances. What he means is that it would appear to many Americans that he had been passed over because of his religion (Roman Catholic).

However, if it should turn out that way, Senator Kennedy will not be able to place the blame altogether on religious prejudice, and he knows it. He knows that some influential Catholics in the Democratic Party either oppose his nomination or are not for it. Gov. David Lawrence of Pennsylvania, for example, is beating the drums for a third nomination for Adlai E. Stevenson. The Governor is a Catholic of Scotch descent.

Senator Kennedy suspects also that Gov. Michael Di Salle of Ohio, another Catholic, is opposed to him and favors Senator Stuart Symington of Missouri.

Why should Catholic Democrats oppose one of their own faith for the presidential nomination? One reason is that they just don't think that a Catholic could be elected to the presidency. There is another reason, and it has been brought out into the open by Sen. Paul Douglas, Democrat of Illinois.

"I think the opposition to Senator Kennedy is not coming from Protestant Democrats but from Catholic Democrats," Senator Douglas says. "This is so because they are afraid that their own political position will be injured if you have a Catholic at the head of the ticket. For instance, a Catholic governor will say, 'Well, perhaps they will accept me for governor, but if there is a Catholic candidate for President they may say that is too much.' In my judgment, these fears are not well founded."

Suppose that Senator Kennedy is rejected at the Los Angeles convention: To whom would the delegates turn? In the opinion of the Senator, they would turn to Adlai Stevenson in spite of the Illinois statesman's defeats in 1952 and 1956.

There is good reason to believe that Senator Kennedy, whatever disappointment he might feel at being passed over for the big prize, would accept the nomination for Vice President if former Governor Stevenson should be the party's standard-bearer.

Republican strategists say privately that they think Senator Kennedy would do poorly as a Democratic presidential nominee, but in the role of a running mate would add considerable strength to the 1960 Democratic ticket.

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Europe's strength emphasizes our weakness

BY FELIX MORLEY

WHAT FACTORS determine whether we are, or are not, currently a healthy nation? It is difficult to frame another question to which a satisfactory answer would be more momentous for all of us. Yet opinion here is so divided, or so uncertain, that recently the issue had to be taken to the Supreme Court for examination.

It was the contention of counsel for the United Steelworkers, as the record-breaking strike in that industry dragged toward the end of its fourth month, that nobody's health had thereby been impaired "in the conventional sense" of the word. It was the contention of the United States Government, set forth by the Solicitor General, that the collective health of the country had by the end of October already been materially damaged, and that continuance of the strike through November would be disastrous.

Both arguments, taken separately, were reasonable. Neither one really refuted the other. So Congress next month will find itself confronted with the necessity of bridging the verbal gap. Clearly the time has come when it is vital to achieve a generally acceptable definition of what we mean by "national health."

None can deny that the phrase has now acquired strong economic overtones. The well-being of a California or Florida citrus planter may not be immediately affected by a strike of automobile workers in Detroit. But this immunity is all too likely to be of short duration. Even when anticipatory stockpiling is possible, the crippling effect of work stoppages in any basic industry soon spreads. What would be immediately obvious in the case of a public utility, legally defined as such, is only less instantly paralyzing when any vital source of supply is closed down.

The more productive an economy, the more closely integrated it tends to be. One section becomes as dependent on another as are combat troops on munition workers in time of war. Therefore it is no longer possible to define "national health" in terms of individual comfort and good fortune. To do so is tantamount to asserting that the United States was not materially

affected when Pearl Harbor was bombed, since the casualties there were only an infinitesimal percentage of our whole population.

Yet that sort of distorted logic is actually used by modern monopoly unionism. Before the Supreme Court, the Steelworker's counsel argued that the strike was not detrimental to national defense because companies not closed down could produce enough for that



Inflationary factors in U. S. have helped open world markets to these German workers

purpose. Whether true or false in its particulars, that argument is fundamentally absurd. As much as anything, the defense program is designed to ensure that steel and other basic industries shall not be incapacitated. The union's lawyers were in effect arguing that defense is not hampered if its purpose is thwarted by internal, as opposed to external, aggression.

The theory of our form of government is, of course, individualistic. With us, governmental powers are

TRENDS: STATE OF THE NATION

divided and separated in order to protect the individual from tyrannical official actions. But the Founding Fathers did not, and could not, envisage a situation in which a new form of tyranny would be exercised by labor leaders who set their arbitrary objectives above the general welfare. How to control that situation without infringing such fundamental rights as those of the justified strike is not an easy problem. But we know now that it is one with which the Congress must resolutely cope.

The problem will be solved when it is realized that in modern society the well-being of the individual has come to depend on collective behavior, that no American can any longer call his condition healthy if its continuance is menaced by a general dissipation over which he has no control. That reasoning, of course, underlies the strong contemporary movement toward the Welfare State. But it is the communist, and not the American, philosophy to substitute centralized governmental directives when self-direction fails.

The American way of reconciling individual liberty with collective necessity is to exert local rather than remote control whenever and wherever the two factors seem to conflict. If we do not appreciate this, then there is no longer any really compelling reason for maintaining our federal form of government. In terms of the industrial problem our system means that industry-wide negotiation is, in principle, undesirable. As we have lately seen, it does not produce anything that can properly be called collective bargaining, but merely nationwide pressures which are wholly indifferent to the general welfare. The un-American character of such pressures has long been understood in the case of management, where monopoly power has been effectively regulated. The steel strike has demonstrated that it must be recognized in the case of labor monopolies also.

Our extravagant foreign aid program is based on the assumption that there can be no national health where business activity is dislocated or stagnant. "A concomitant of our collective security policy," says the Under Secretary of State for Political Affairs, "is a healthy European economy and prosperity." If it has been vital to pour billions into the rehabilitation of Europe, it cannot be called less vital to safeguard ourselves from such unnecessary domestic deterioration as the steel strike has brought.

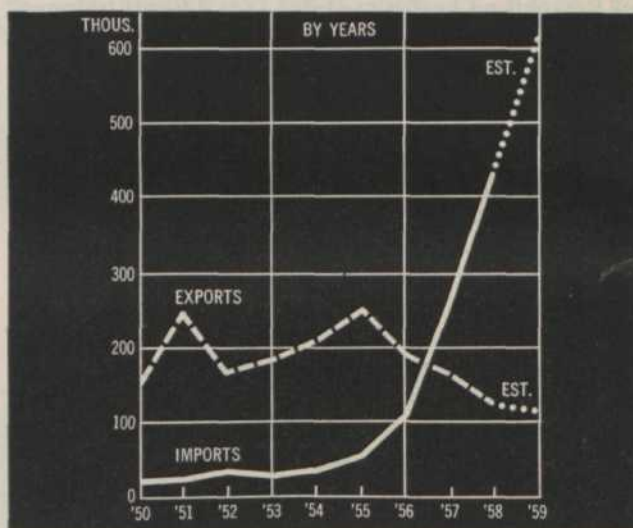
As a matter of fact, the economic health of Western Europe is currently better than that of the United States. Whether the measurement be the stability of prices, the balance between governmental receipts and expenditures, the build-up of gold reserves, the percentage of unemployment, the loss of production through labor disputes—in every case our NATO allies are all more favorably placed than we are. The statistics merely confirm what every observant visitor to Europe sees. And the evident slippage of the United States has certainly not been checked by a nationwide strike of a cavalier character which would be unthinkable in Europe today.

This strike has stimulated the already disturbing

outflow of gold from the United States, which of course reflects the world-wide loss of confidence in the American dollar. Belatedly, the Administration is recognizing the deterioration, and is urging our Allies to take their share of the burden from our shoulders. But such appeals, even if heeded, will not immediately relieve the cumulative deficit in our international payments.

Indeed this is growing so rapidly that a dramatic change of policy now seems inevitable. Either foreign aid will have to be cut to the bone, or barriers to imports will have to be raised, or exports will somehow have to be stimulated. And of this last there does not seem much chance, if we continue to price ourselves out of world markets by mounting labor costs which are not offset by increased productivity.

A generation ago our automobiles were a common sight in Europe, even in the most remote parts of the countryside. Now practically all of them over there carry American license plates, meaning they belong either to tourists or to members of our official establishments abroad. And as this export market dries up, the foreign cars flood in. More than 66,000 of a single



American automobiles are rare on foreign streets, but foreign makes multiply here

British make were ordered for the U. S. in one week at the autumn Motor Show in London.

From the over-all viewpoint there is nothing inherently undesirable in the loss of foreign markets to American manufacturers, coincident with the invasion of our market by competitors abroad. But when this change is traceable to inflationary factors here, as opposed to superior efficiency and stability abroad, the gain is not for free trade as such. It represents the triumph of robust economics over one weakened by the fever of inflation. A feverish person is not healthy merely because his refrigerator is packed to overflowing with food. During the past four years our imports of finished manufactures, of all types, have doubled. This year steel imports into the United States will be the highest, and our steel exports the lowest, in half a century.

Bob discovers a new kind of safety valve



Bob Steele was happily content, reclining on his spine,
Just lolling to the music of his turbines' whirry whine.
"It's money-making music," Robert smiled. A mighty crash—
A boiler blew, deflating Bob and turning off the cash.



His Travelers man rushed in to find our hero deep in gloom.
"Our maintenance was adequate, why did the boiler boom?"
"Fret not," replied his trusty man, "if Lady Luck was mean;
Your *total* loss is covered under Boiler and Machine."



"We pay the costs to make repairs, to clean up all the mess,
Your fixed expenses, normal profits are assured, no less!
So while the work progresses, navigate the bounding main."
"A marvelous idea," Robert cried, "auf wiedersehen!"



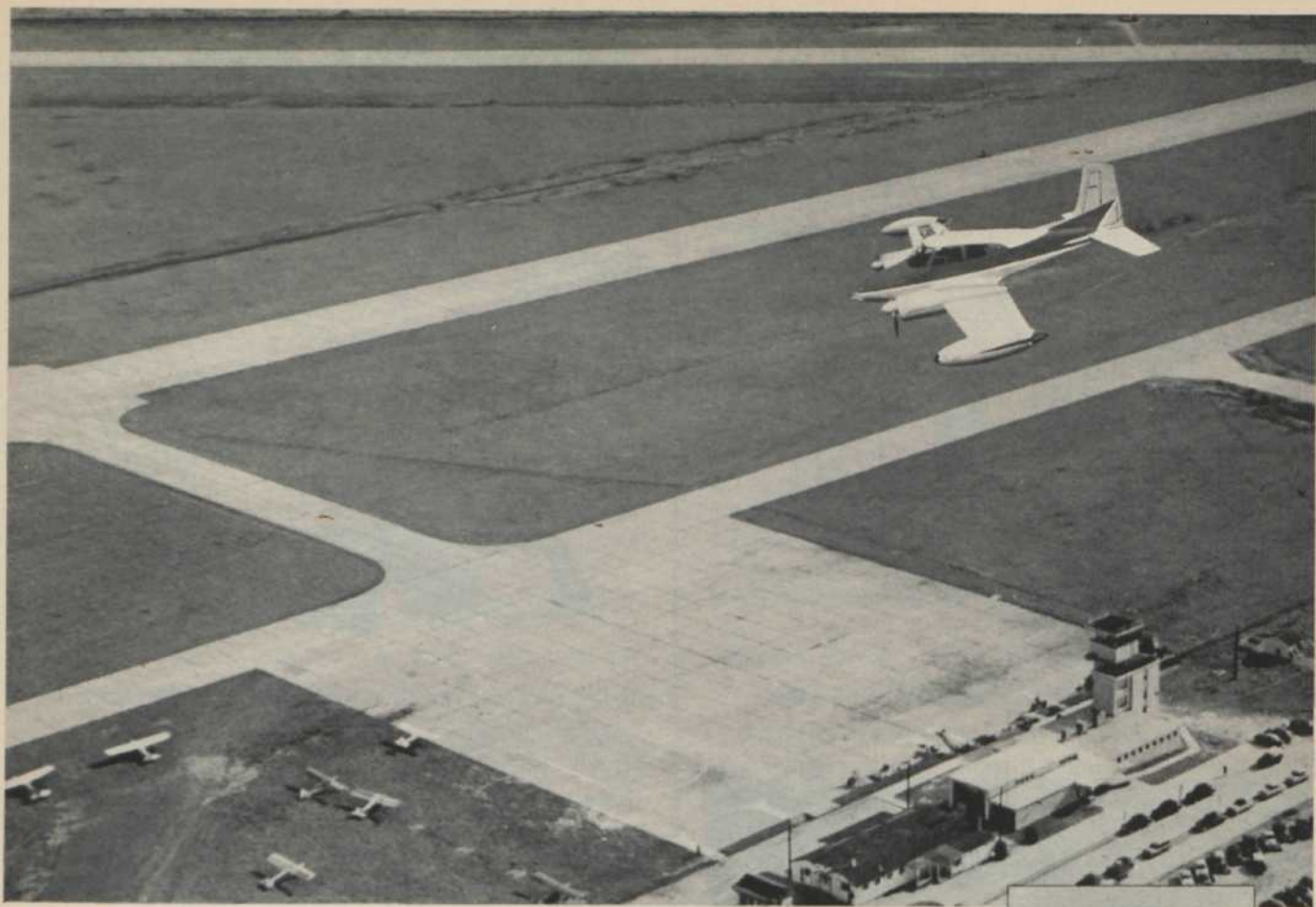
Now Bob is back, his plant intact, his future glad and free;
Cash registers and turbines join in cheerful harmony.
Why let ill fortune ruffle *you*? See Travelers 'fore it pops—
For even *pampered* boilers and machinery blow their tops!



THE TRAVELERS
Insurance Companies

HARTFORD 15, CONNECTICUT

All forms of business and personal insurance including Life • Accident • Group • Fire • Marine • Automobile • Casualty • Bonds



Patrick Henry Airport, serving the Peninsula Area, including the cities of Newport News, Hampton, Williamsburg and Yorktown

"For an airport serving growing communities, concrete is the only sound investment for runways"

Says **E. C. MARLIN**, Manager, Patrick Henry Airport, Newport News-Hampton, Virginia



"With more and more industry coming in (which our airport with its concrete runways helped attract) we have big plans for airport expansion.

"On the basis of experience, we know that concrete runways will give the best service. Year after year, you get real money savings. You don't need constant repairing and resurfacing as with other pavements. You can really plan ahead with concrete, knowing that what you do today will never be obsolete.

"Here at Patrick Henry Airport, we have a safety record second to none. And a lot of the credit for that goes to our concrete runways. For sure-footed landings you can count on concrete's grainy

surface. It means dependable skid resistance and faster, uniform braking action, rain or shine. At night or in a fog, a light-colored concrete runway is always brightly outlined against the dark areas around it. No other pavement gives that kind of visibility."

Far-sighted communities everywhere are making concrete pavement an important part of their airport planning. It brings the most for their money—and economic and safety benefits far beyond the actual money savings.

PORTLAND CEMENT ASSOCIATION

A national organization to improve and extend the uses of concrete



NEW STORM BREWING OVER YOUR MONEY

Costly credit will bring clamor for legislation

YOUR MONEY, its availability, its earning power and its purchasing power, will be embroiled in a political fight beginning next month.

The current scarcity of money and credit is the cause. Tight money will undoubtedly bring a clamor for legislation when election-minded congressmen return to Washington. It could become a central issue in the 1960 campaign.

Easy money advocates probably will push for measures to enlarge government's role in money markets and perhaps to extend federal credit to subsidize special groups, such as veterans, farmers and small businessmen. The future soundness of private capital will be involved in the uproar. Misunderstanding and misstatement about hard money and easy money are likely.

But the controversy could force new thinking on fiscal matters and new action to protect your dollars while making more of them available.

Here is a forecast of what you can expect in the months ahead, the prospects for action and what it will mean to you. Probable battles will be fought over:

- ▶ Debt management.
- ▶ Credit programs.
- ▶ Federal Reserve Board powers.
- ▶ Economic controls.
- ▶ Future money policies.

Debt management

"Sadly enough, we don't have a money well out in the back yard," a U. S. Treasury official said recently, waving his hand toward the rear of the Treasury Department building.

His wry remark has become popular among the

officials who must figure out how to pay Uncle Sam's bills in the face of the increasing tightness of money and credit. Federal borrowing to pay for the highest debt and peacetime deficit, together with demand for funds to expand business have pushed the cost of money to the highest levels in a generation.

An old law—vintage 1918—is complicating matters. Under this statute, the government can't pay more than 4.25 per cent interest on its securities of more than five-years maturity. Only on short-term borrowing—under five years—can the Treasury offer securities with a higher interest and thereby compete for presently expensive money.

President Eisenhower asked Congress in the past session to remove the interest-rate ceiling so the Treasury would have some flexibility in managing the debt, and could spread borrowing over longer periods. Congress refused for fear of forcing interest rates still higher.

The President called this refusal "one of the most serious things that has happened to the United States in my time." As he pointed out, when the Treasury must do all of its borrowing in the short-term market, interest rates are forced up, just as heavy demand tends to raise the price of anything. This makes interest rates higher for businessmen and consumers who want money for brief periods.

Undoubtedly the President will again urge Congress to strip the old ceiling from the interest on these bonds. Most Democrats will fight against it. The Democratic Advisory Council, which represents the more liberal members of the party, has branded the record high interest rates a "bankers' bonus." It has blamed the Eisenhower Administration for faulty fiscal and monetary policies which, it said, have in-

NEW STORM BREWING OVER YOUR MONEY

continued

creased the debt and the cost of carrying it. The argument will be that raising the interest rate on government bonds will jack up the rates for everyone; that if Congress doesn't raise the ceiling, interest charges eventually will come down. However, as long as the government can't compete for investors' dollars in bonds, it must borrow short-term money, drive up interest rates and squeeze out many private borrowers. Chances are that if Congress raises the legal limit for long-term borrowing, it will be only on a temporary basis or under some other restrictions unacceptable to the Eisenhower Administration.

Credit programs

When it becomes difficult for people to get money to buy houses or for cities to get financing for schools, for example, Congress hears about it from the home folks.

The demand for ready money and easy credit put Uncle Sam in the banking business many years ago. Today the federal government lends about \$1 for every \$5 lent by private banks.

Federal lending programs offer established means for expanding credit when Congress feels it ought to do so.

A sample of what can be expected if money stays tight is the recent suggestion of Rep. Albert Rains of Alabama, chairman of the Housing Subcommittee of the House Banking and Currency Committee. Mr. Rains noted that, with a credit shortage, home building has started downhill. He promised to search for ways to tap money sources. If no new ideas turn up and housing is in trouble when Congress returns, he said, "we will seriously consider providing a substantial support fund in the Federal National Mortgage Association's special assistance operation, similar to the billion-dollar fund provided in 1958."

At that time, Congress authorized FNMA to make \$1 billion worth of commitments to buy mortgages in an effort to prop up the then-slumping economy.

Another means by which Congress could supply more credit would be through the Veterans Administration's direct-loan program. In the past session \$100 million was added to this program. Next year Congress could increase this amount, although the \$100 million has not yet been allocated. Since the whole Veterans Administration loan guaranty and direct loan program expires unless extended next July, Congress will be looking at this area as a means for assuring more credit. It's probable that these programs will be kept alive.

Some controversy surely will center on the interest

rate on veterans' loans. Congress raised the ceiling from 4.75 to 5.25 per cent this year. But, with the interest rise, this new maximum is still not competitive.

The fast-growing Small Business Administration is another established apparatus for extending credit to a politically popular segment of the economy. Undoubtedly Congress will raise SBA's authority to lend from \$975 million to the \$1.1 billion the agency is seeking.

Although loan applications this past summer and fall have been fewer than for the same period a year ago, SBA expects loan requests to rise considerably in the months ahead.

It's unlikely the present \$350,000 maximum on individual loans will be raised, since loans this big are rarely requested. The interest rate was lowered to 5.5 per cent only a year ago and this probably will not be changed. If Congress wants to enlarge this credit program, it might broaden the definition of small business or loosen its risk and repayment requirements.

While pressures may grow for easier credit in some quarters in Congress, opposing factions will demand an end to various subsidized loan programs. Certain lending activities President Eisenhower has asked Congress to change will probably come under new scrutiny. For example:

The Rural Electrification Administration makes loans at two per cent to cooperatives which build electric distribution and telephone systems. The Treasury now has to pay about twice as much to borrow the money used for this lending. Some \$3 billion in these loans are outstanding.

College housing loans are made at a rate of only about three per cent. Some \$600,000 in these loans are outstanding.

As for the 1960 legislative action, however, one Capitol Hill committee staff aide sums up the outlook this way: "There might be a great debate over credit programs of all kinds in Congress next year, but don't expect Congress either to extend or eliminate much."

Tight money may give new impetus to several old legislative ideas that haven't gained enough strength for passage. Since the high cost of money makes it difficult for cities to borrow to build public works and schools, proposals for federal aid for school construction, and loans for economically depressed areas and community facilities may gain added support.

Federal Reserve powers

"More and more, the unhappiness over tight money will be laid at the door of the Federal Reserve," a Capitol Hill economist predicts.

Rep. Wright Patman of Texas, one of a hard core of soft-money advocates, seems intent on making this prediction come true. "I'm not for extending more credit as an approach to tight money. I'm for the direct approach," he told NATION'S BUSINESS. "We need to make the Federal Reserve Board support the government bond market to bring down interest rates."

The supporters of easy money believe the Federal

Reserve Board should be a lot freer with the dollar.

Soft-money forces argue that easier credit and lower interest charges help the home buyer, the small businessman, the little fellow; while hard money with high interest rates only helps bankers and wealthy investors.

In the months ahead, a number of ideas will be pushed that could inject political bias into the independent, economic, nonpartisan judgment of the Federal Reserve Board.

The Board has a big say in bank lending. Banks can extend credit only in proportion to their reserves. Banks that are members of the Federal Reserve (these banks hold about 85 per cent of all commercial deposits) must keep on deposit with District Reserve banks cash equal to a certain percentage of their total deposits. By affecting the availability and cost of added reserves, the Board can determine the amount of credit banks can extend. Credit can be affected in three main ways.

1. To expand or contract credit, the Federal Reserve District banks can change the discount rate, which is the interest rate member banks have to pay to borrow money. Higher discount rates result in higher cost of borrowing generally for the banks' customers.

2. To expand or contract credit, the Board can buy or sell government securities. When it buys "governments" the Board increases banks' ability to lend because the purchase creates a credit with the Federal Reserve. Selling governments decreases the volume of lendable funds since the securities are paid for out of reserve accounts of commercial banks.

3. To expand or contract credit, the Board also can alter reserve requirements. Within certain ranges, it can change the percentage of cash that banks must hold to back up their deposits.

Mr. Patman's suggestion that the Federal Reserve support the government bond market was tried for a decade during and just after World War II. When the war started, the Board decided that government securities should be bought to supplement tax increases and private sales of bonds and securities to finance the war effort.

After the war, when price and wage controls were removed, purchasing power and needs that were dammed up during the war flowed into the markets, forcing prices skyward.

The cheap-money policy was continued after the war, with the Board supporting the government bond market.

The Board lost much of its control over monetary policy because member banks could build up their reserves and thus their lending power by selling government securities. If the Federal Reserve tried to engage in open-market operations by selling government securities to reduce reserves it would have to buy them back to prevent a price drop and interest-rate rise.

Finally in 1951, the Treasury and Federal Reserve announced that prices of government bonds were no longer to be guaranteed. Prices of bonds were permitted to fluctuate just as those of any other security. This restored Federal Reserve power over monetary policy.

Since then the Board has been able to "lean against the breeze," as Chairman William McChesney Martin, Jr., puts it. That is, it has tried to apply just enough restraint to keep credit expansion tied to growth in resources.

However, some members of Congress are afraid the Board is leaning too hard. They blame the Federal Reserve for the shortage itself. Representative Patman recently

(continued on page 65)

FORECAST: PROBABLE STORM CENTER IN NEXT CONGRESS



DEBT MANAGEMENT
CREDIT PROGRAMS
FEDERAL RESERVE POWERS
MONEY POLICIES
CONTROLS

MANAGEMENT IN THE '60's: TRAINING LEADERS

Well managed company will develop
program suited to its own needs

In the years ahead your business faces the threat of chronic executive shortage.

To fill this demand at the top, you will have to nurture and develop the executives you require. Pirating the other companies' proven executives, experience has shown, is a costly and ineffective way of getting the managers you need.

Most of the development job must be done at home. Men growing up in any corporation inevitably learn about how to be boss from the bosses they spend their days with over the 15 or 20 years they are climbing up the executive hierarchy. Their minds and attitudes are developed, or dwarfed, by the succession of assignments they are given as they grow.

The naïve idea that all it takes to develop an executive is to send him off to a university program will be disproven in the future. There is an important but limited job for these programs. To do this job, many universities must revamp their present offerings, and they need help in reasoning out what part of the development job they can do.

Six forces will underlie these development trends for the 1960's: business growth, decentralization, industrial complexity, specialization, attitudes of executives, and the sense of responsibility. **Growth.** As enterprises grow, in number and in size, employers will be continually hard put to fill an ever-larger number of jobs in the upper and middle management levels.

Bureau of Labor Statistics experts forecast that the number of proprietors, managers, and executives will increase more rapidly than the number of any other class of workers in the labor force.

The plight of a West Coast electronics laboratory during the



Men who grow up in a company
learn more about being boss

1950's will be duplicated by many other firms in the '60's. Employment in this company grew from less than 300 in 1947 to 3,000 in 1959. Men with administrative skill and an understanding of this industry could not be found inside or outside. A few key executives were bought off by competitors. In 1959, to fill 18 top executive jobs, it has four men over 40 years of age, six men with less than two years' management experience, and it has six vacancies. It is unable to meet its commitments to its customers.

Decentralization. As businesses grow they will be compelled (as they have been during the '50's) to decentralize. Size and the geographical dispersion of plants have necessitated pushing more authority, often grudgingly, down to managers in the middle echelons. Hence, more men have had to be trained to accept these responsibilities.

Complexity. Consider, for example, the experience of the president of an eastern meat packing plant who started in the business 40 years ago. He knew every worker in the plant, had performed every process from buying hogs and slaughtering cattle to delivering a side of beef.

Forty years later animals are mercifully asphyxiated rather than slugged. The carcass is handled, cut, sliced, and packaged by machine. The meat is treated according to formulae constantly under study by skilled chemists. Gaily colored pliofilm packages of meat contrast strangely with the carcass once delivered to the corner butcher shop.

To run the machinery, design packaging, and fix production rates this executive has skilled engineers. He employs an industrial relations expert to deal with the workers he once knew by first name. Another expert sells by-products which make the difference between profit and loss. A consulting toxicologist aids him in eliminating fumes and odors objectionable to the community. To survive when most meat products are marketed through a limited number of dominant chains, rather than through independent grocers, he has specialized salesmen for the chains, the hotels, and the independents and an advertising manager as well. His task and the tasks of his principal associates required *(continued on page 46)*

Specialists often know more
and more about less and less



... and become disqualified
just on verge of promotion

YOUR SHARE OF EUROPE'S MARKETS

Fresh opportunities open to American businessmen

THE EUROPEAN COMMON MARKET presents both a threat and a promise to all American companies.

This new economic unit of 170 million people is America's biggest competitor in world trade. And, under the improved conditions it is systematically developing, it will be able to compete more effectively than ever, not only in third markets but right in our own backyard.

On the other hand, it offers a promise, because American firms of any size can share in one of the fastest growing markets in the world and reap the benefits of low labor costs and other economic advantages.

Thus the Common Market, which is officially known as the European Economic Community, is of concern to the small or medium-size manufacturer in Red Oak, Iowa, or in Santa Monica, Calif., as well as the industrial giant which is already opening or expanding operations in Europe.

What the Common Market is

Six nations comprise the core of the European Economic Community. These nations are West Germany, France, Italy, Belgium, The Netherlands and Luxembourg.

Three are relatively large, with a population of 44 million to 51 million each; two have nine million to 11 million, and one has only 300,000. The latter three—Belgium, Holland and Luxembourg—formed a customs union called "Benelux" some ten years ago. All six have a common market for coal, steel and iron since 1953.

The per capita income in five of these countries is relatively high, between \$1,000 and \$1,200, although still less than half that in the United States. In the sixth, Italy,

where agriculture produces 20 per cent of the total goods, the yearly income drops to \$360 in the south and rises to \$800 in the industrial north.

But this is only part of the picture. There are three additional aspects. First, the overseas territories associated with the European Community comprise some 53 million inhabitants and include almost half of Africa. Economically underdeveloped, their advancement will be expedited by a \$581 million special development fund established by the Community.

Then there are other countries which have already applied to associate themselves with EEC, notably Greece, with eight million population, and Turkey, with 25 million. Last fall the Council of Ministers of the Economic Community voted to admit Greece and Turkey as associate members, which means that while the basic benefits of the Common Market will apply, they are exempted from certain fiscal and social clauses of the treaty.

Additional special agreements of association may be negotiated with countries that have close economic links with member states, such as Morocco, Tunisia, and the Dutch Antilles.

Finally, an accommodation may be worked out eventually with the uncommitted nations of Western Europe, the proposed Free Trade Association, which includes Austria, Switzerland, Norway, Sweden, Denmark, Great Britain and Portugal. These seven countries represent a further potential market of 90 million people.

Half of Austria's present exports, for example, are to the Community; 40 per cent of Switzerland's, and

over 30 per cent of Denmark's and Sweden's.

Here, then, is an over-all picture of the future Common Market: the industrial heartland of Europe, almost as big as the United States, with a phenomenal rate of expansion during the past several years; nearly half the continent of Africa and other overseas territories; and the new associate members—a total of around 250 million people.

The Common Market's three stages

The gigantic task of unifying the economies of the six member nations of the European Community and eliminating trade barriers across the 1,700 miles of the Community's internal frontiers is scheduled to be accomplished in three stages, over a transition period ending Dec. 31, 1969. This period can be prolonged in any of its stages, but it must not last more than 15 years.

The initial step of the first stage was taken on Jan. 1, 1959, when internal tariffs were reduced by ten per cent and import quotas granted by one Community country to another became global and were enlarged by 20 per cent, with all quotas at least three per cent of national production.

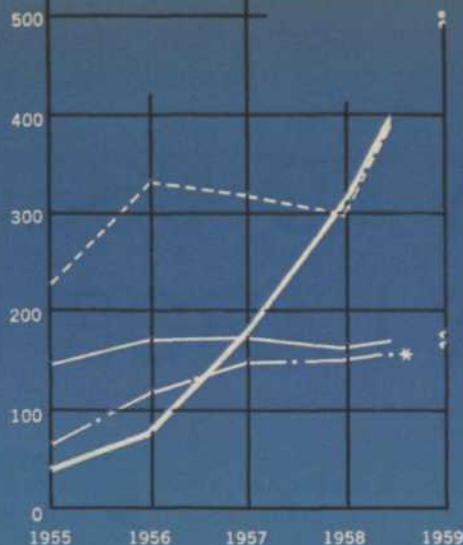
By the completion of the final stage, internal tariffs will have been completely eliminated and all quota restrictions abolished. A common external tariff, which for most products will be the arithmetical average of the duties of the member countries in January, 1957, will be in effect, subject to subsequent reductions under the 37-nation General Agreement on Tariffs and Trade. At that time, also, an Italian

(continued on page 88)

WHAT THE U.S. IMPORTS FROM THE COMMON MARKET

(IN MILLIONS OF DOLLARS)

METALS AND MANUFACTURES - - - - -
TEXTILE MANUFACTURES - - - - -
MACHINERY - · - - - -
AUTOMOBILES - - - - -



EXPORTS TO U.S.A.

\$1,672 MILLION

ALL EXPORTS
16 BILLION



IMPORTS FROM U.S.A.

\$2,428 MILLION

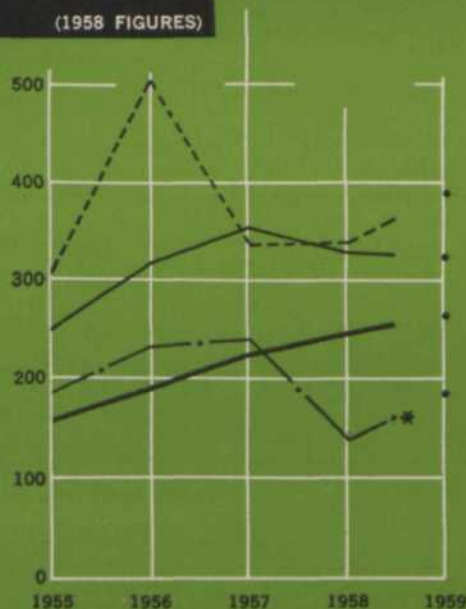
ALL IMPORTS
15 BILLION

(1958 FIGURES)

WHAT THE U.S. EXPORTS TO THE COMMON MARKET

(IN MILLIONS OF DOLLARS)

FOODSTUFFS - - - - -
MACHINERY - - - - -
FATS, OILS AND OIL SEEDS - · - - -
CHEMICALS - - - - -

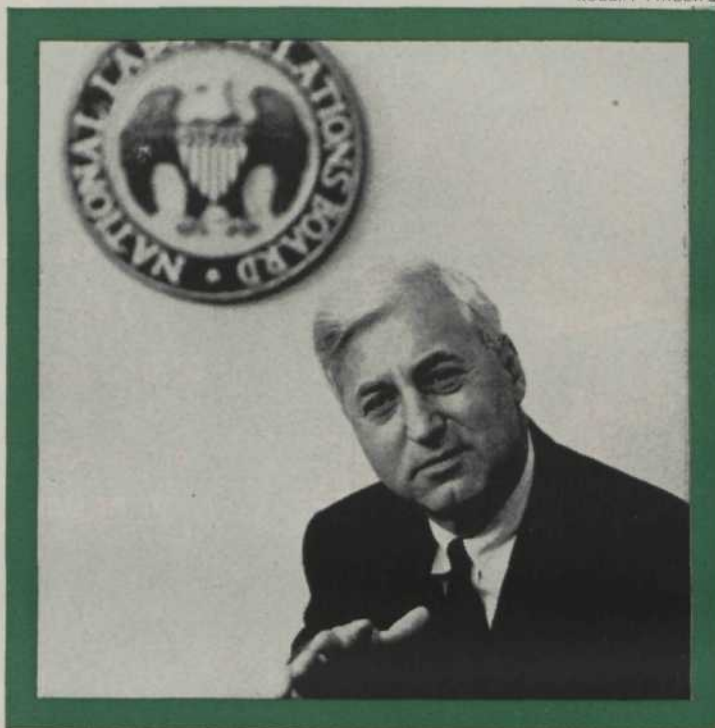


* JANUARY-JUNE AT ANNUAL RATE

DATA SOURCE: Bureau of Foreign Commerce and the European Economic Cooperation

HOW TO USE THE NEW LABOR LAW

ROBERT PHILLIPS



U. S. official explains
how he will enforce
the provisions of the
Landrum-Griffin Act

An exclusive Nation's Business interview
with **STUART ROTHMAN**, General Counsel of
the National Labor Relations Board

The most powerful government official under the Taft-Hartley labor law is the General Counsel of the National Labor Relations Board.

Now that Taft-Hartley has been amended by the Landrum-Griffin Act with respect to important provisions affecting your business, the manner in which the General Counsel exercises his responsibilities is doubly important to you for these reasons:

General Counsel Rothman has the sole power to decide whether certain employer or union conduct seems to violate the law and warrants government action against it. If a charge is filed and he believes the conduct complained of vio-

lates the law, his office will issue a formal complaint and start the case through the Board's machinery.

This can lead to a decision by the full five-man Board and possible appeal to the courts.

If he believes the conduct being complained of does not violate the law, the General Counsel will dismiss the charge and his decision will be final. There can be no appeal.

Thus Mr. Rothman will make the first interpretations of how the Landrum-Griffin amendments affect your business.

He also is in charge of the field offices of the Board with whom you will have first contact if you are ever involved in an action before the Labor Board.

That is why Nation's Business believes you will want to read this interview.

MR. ROTHMAN, assuming I am a businessman, how do the new rules of the Landrum-Griffin Act affect me?

As a businessman you are affected directly by many provisions in the new law. There are some new financial reporting requirements and restrictions that are administered by other government agencies, and violation carries criminal penalties. (See "Labor" report on page 45.) We at the Labor Board are concerned primarily with those provisions of the Act which amend the Taft-Hartley Act. These include new rules with respect to secondary boycotts, so-called hot-cargo agreements, organizational and recognition picketing, use of state laws, and voting rights of economic strikers, among others.

What steps have you taken to administer these new rules?

Our recruiting program has been accelerated and we have undertaken a special training program to prepare the staff to handle the new law.

We have prepared a legislative history of the new law that should be useful to specialists in this field and to attorneys and the courts.

We have taken steps to speed up case handling. This is vital. If we are going to perform our mission, we have to eliminate delay and give the public quicker service.

Have you cut down the time it takes to get a decision?

We have done a great deal to reduce length of the time a case is in the General Counsel's office. We have cut from 60 to 45 days the time it takes to get a ruling from our office on whether a charge is to be dismissed or a complaint issued.

As you know, my office has ex-

clusive authority to issue or refuse to issue an unfair labor practice complaint. It is a heavy responsibility. If the General Counsel refuses to issue the complaint, the matter ends and no appeal can be taken.

If we issue a complaint, the accused persons are put on their defense and ultimately the Board and even the courts will be called upon to decide the issue.

Now as to the time it takes to process a complaint before the trial examiner, the Board, and the courts to a final decision, that is another matter. I am sure that the entire agency is working for a steady improvement all along the line.

Do you have any explanatory material available to businessmen?

It has not been the practice of the Board to issue interpretive bulletins or other explanatory material. This is something that we may look into. I have done this: I have discussed the new law and the problems which may arise under it with representatives of trade associations and labor unions as well as large national groups, such as the U. S. Chamber of Commerce and the National Association of Manufacturers.

How will you approach and interpret this new legislation?

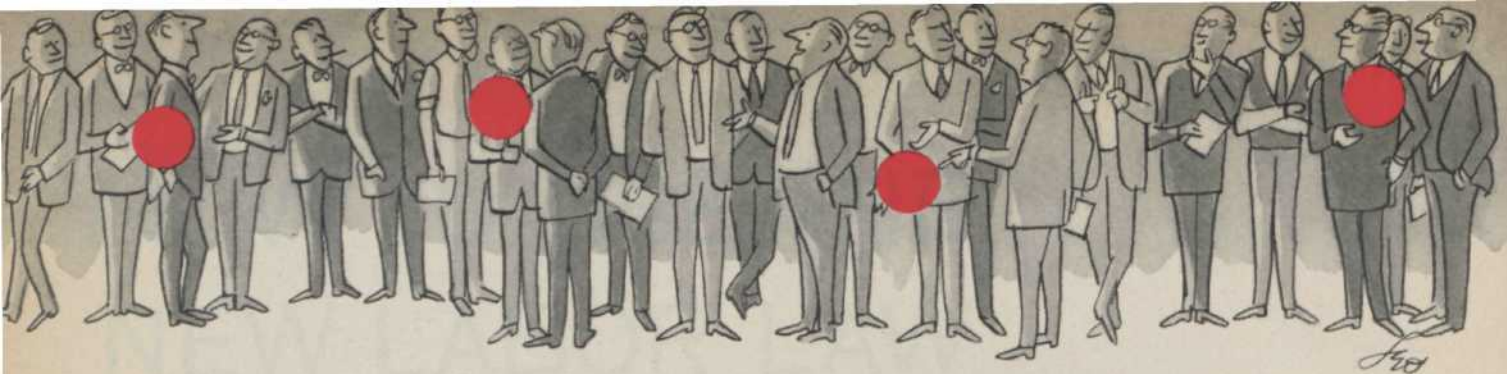
That would be a difficult question to answer even with relatively simple legislation. I will say this: I will make every effort to ascertain the intention of Congress, as indicated by the language of the statute and the legislative history.

Where any conduct is clearly prohibited by the new law, then of course we will issue a complaint.

Conversely, if it is plain that the conduct is not prohibited, we will not issue a complaint.

But the difficulty arises in those close cases which abound in the law generally, and particularly in the labor-management field—cases where reasonable persons can disagree or decide either way. There are many such situations. In such

(continued on page 74)



YOU CAN SPOT OFFICE POLITICIANS

The know-the-right-people technique of advancement demands special action by the minority that uses it

NEARLY EVERY successful executive has found himself at one time or another involved in office politics.

Some observers, in fact, insist that today politics is as important as competence in executive advancement.

Such statements, though common, have been hard to challenge because dependable information was lacking.

Researchers at Michigan State University have undertaken to remedy this.

They found that one top executive out of three takes a political view of his environment, that all executives express a strong interest in office politics and feel a need to know how the power game is played today and how it may either be wisely avoided or engaged in if the occasion arises.

The Michigan State University studies show that the power-oriented business executive identifies himself in five ways.

- His alliances.
- His friendships.
- His methods of making decisions.
- His communications.
- His reaction to authority.

The study began with a 200-statement questionnaire based on

"The Prince," a treatise in which Niccolo Machiavelli (1469-1527) described the rules to be followed to gain political power. After preliminary testing, the research questions were reduced to 85. Researchers bolstered these with interviews of 32 top businessmen, 80 middle management people and 50 management trainees.

From this they learned that answers alone did not give a complete picture of the political urge.

Both a political type executive and a nonpolitical type may answer yes to the statement: "One should tell the truth regardless of how others are affected." But the reasons differ. The political type may expect personal advantage from telling the truth. The nonpolitical executive may believe in truth as a moral precept. To get at such differences the researchers conducted extensive interviews with 18 top executives from eight industries. These interviews, as well as use of the questionnaire, provide the basis of this report.

It is apparent that the power game is played today with intense subtlety. Few will admit what part of it they subscribe to or engage in, but almost all of the top executives studied showed awareness of it. One out of three admitted that some of his success was based upon it.

They gave many reasons:

The mobility which makes it difficult for an executive to show his administrative depth in any position heightens the need to impress and manipulate.

The increasing tendency to push men ahead so fast that they exceed their administrative skill and, because of lack of confidence, begin to indulge in political tactics.

The changed nature of the executive's role. He is no longer supposed to be the boss whose authority is not to be questioned. Rather he is supposed to be a team man. To succeed, therefore, the man who is basically autocratic must become democratic. Many executives find this change difficult.

Consequently, they have learned to appear democratic—a political tactic based upon enlightened self-interest.

The best example of this new aspect of the power game is found in the tendency to use committees, conferences and informal groups as arenas for maneuvering and manipulating. No longer is the power game played on a person-to-person basis as in the past. Now it is reserved largely for the group situations where so much more can be accomplished because of the opportunity.
(continued on page 52)

ARE YOU AN OFFICE POLITICIAN?



THE TEST below will help you determine if you are among the one out of three business executives who have used power tactics to advance their careers. The statements were devised by Prof. Eugene E. Jennings and his fellow researchers at Michigan State University for use

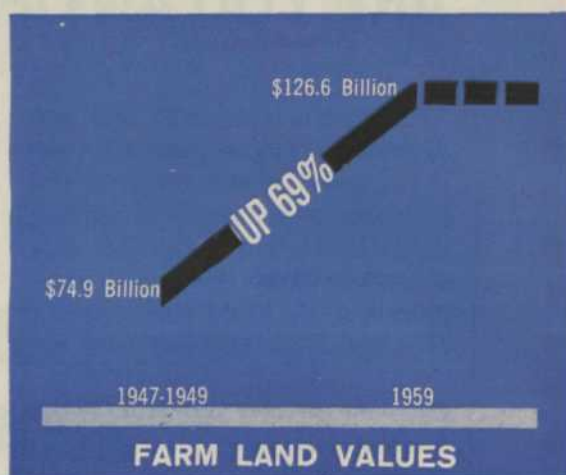
in their studies of executive behavior. The point of the test is to read the statements given, then mark each according to whether you tend to agree or disagree with it. Then, turn to page 52 for an analysis of what your responses mean.

AGREE DISAGREE

- | | | |
|---|--------------------------|--------------------------|
| People will generally remember kindness longer than unkindness. | <input type="checkbox"/> | <input type="checkbox"/> |
| People generally look for opportunities to win favorable comparison over others. | <input type="checkbox"/> | <input type="checkbox"/> |
| People are generally unreliable when serving interests other than their own. | <input type="checkbox"/> | <input type="checkbox"/> |
| Many people will misrepresent themselves if they have a lot to gain and exposure isn't likely. | <input type="checkbox"/> | <input type="checkbox"/> |
| A man seeking to better himself in a chosen field should attempt to identify with those who have attained excellence. | <input type="checkbox"/> | <input type="checkbox"/> |
| The less that people know about a person, the more they will respect him. | <input type="checkbox"/> | <input type="checkbox"/> |
| All men are both good and bad but at times it is wise to consider them more bad than good. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is often advantageous to withhold information and to time its release. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should tell the truth or not depending upon how others are affected. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should not overly commit himself except on basic issues of right and wrong. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should know why people are his friends. | <input type="checkbox"/> | <input type="checkbox"/> |
| An executive should be sure that subordinates rely solely upon him. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is wise never to let one know that he has deeply offended you. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should appear to believe that people are trustworthy. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should personally select the subordinates upon whom one's success greatly depends. | <input type="checkbox"/> | <input type="checkbox"/> |
| Success is at times dependent upon being able to outguess what the other fellow will do. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is oftentimes necessary to act boldly and swiftly in order to impress and disarm. | <input type="checkbox"/> | <input type="checkbox"/> |
| Friendship tends to blind one's critical faculties. | <input type="checkbox"/> | <input type="checkbox"/> |
| Words do not determine motives. | <input type="checkbox"/> | <input type="checkbox"/> |
| Bluffing is basic to gaining and maintaining a high reputation. | <input type="checkbox"/> | <input type="checkbox"/> |
| If one has to punish severely, it should not be spread out over a period of time. | <input type="checkbox"/> | <input type="checkbox"/> |
| Concessions should be more apparent than real. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is much safer to be feared than loved by subordinates. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should not compete if he is not able to make a good showing. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is necessary to keep some people in place by making them afraid of you. | <input type="checkbox"/> | <input type="checkbox"/> |
| Agreements should be made to commit the other person. | <input type="checkbox"/> | <input type="checkbox"/> |
| Loyalty of a new associate may be tested by suddenly giving him a lot of authority. | <input type="checkbox"/> | <input type="checkbox"/> |
| An executive should not allow subordinates to determine what matters are crucial. | <input type="checkbox"/> | <input type="checkbox"/> |
| Past promises need not stand in the way of success. | <input type="checkbox"/> | <input type="checkbox"/> |
| It is wise never to allow one's reputation to be fully tested. | <input type="checkbox"/> | <input type="checkbox"/> |
| If you have deeply offended another, you should not entrust him with important matters. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should always keep in reserve some means of rewarding unexpected excellence. | <input type="checkbox"/> | <input type="checkbox"/> |
| One should not enter into a cooperative venture if one is going to risk personal advantage. | <input type="checkbox"/> | <input type="checkbox"/> |
| Sometimes it is important to appear ignorant in order not to be stampeded into action. | <input type="checkbox"/> | <input type="checkbox"/> |

HOW'S BUSINESS?

today's outlook



AGRICULTURE

Watch for a possible topping off of farm land values in the next few months.

Market values of farm real estate have increased continuously since early 1954. The U. S. Department of Agriculture estimates that on July 1 the total value of farm real estate was \$126.6 billion. This is an increase of six per cent over a year earlier and 69 per cent above the 1947-49 average.

The upward pressure on land values has come from two principal sources—the desire of farm operators to enlarge their farm units and the demand for land for non-farm use.

However, during the four months ending July 1 the average value of farm real estate increased only one per cent, compared to three per cent a year ago.

The reasons for believing values have reached their peak include: 1, tight money and higher interest rates; 2, a decline of 12 per cent in farm operators' realized net income in the first nine months of 1959; 3, the fact that land values have increased more rapidly than farm income for five years.

CONSTRUCTION

Look for 1960 to bring a record volume of construction put in place. However, the increase over 1959 is not likely to be nearly so great as the present rise above last year's levels.

The expansion will not affect all sectors of the industry equally. Residential nonfarm construction is expected to be below that of this year. On the other hand, industrial, commercial and other nonresidential building is expected to increase.

In a sense, 1959 has been a year of transition. In the early months antirecession measures put in operation more than a year earlier continued to produce a pronounced effect, particularly on residential nonfarm construction, military facilities, highways, and public residential construction. Later, the private nonresidential areas showed increasing strength, with gains first registered in store, restaurant and garage construction, followed by increased office building, warehouse and industrial construction.

CREDIT & FINANCE

Tight money will continue into 1960. Home mortgages will continue difficult to place during the first quarter.

As Congress meets next month, fiscal and monetary problems will gain the spotlight.

Industry-wise, most financial managers have begun to show signs of caution in the installment lending field, reflecting some worry over the continuing effects of the steel strike. Delinquency reports on installment loans have inched upward during the past few months with paper in the "30 to 89 days late" category showing the most

marked upturn. This reversal of the favorable collection trend since last February bears some consideration for the first quarter of 1960. A decline in dealer loans on new automobiles has also been reported.

DISTRIBUTION

Year-end sales activity in distribution will help clinch a new record for 1959.

Over-all retail sales are topping last year's figures by more than eight per cent. Upward price adjustment accounts for only one per cent of this.

Also, according to the Bureau of the Census, total sales of merchant wholesalers for the first three quarters showed a 13 per cent lead above sales for the first nine months of 1958.

While the steel strike will mean a sales pinch in some sections, Christmas volume this year will overtake last year's record.

The good Christmas sales outlook is based largely on sustained, high-level personal spending—but at a lower rate than if there had been no strike.

Although personal income, on the whole, fell off, U. S. Department of Commerce figures show that people are spending more and saving less.

FOREIGN TRADE

The importance of export trade to the United States has been spotlighted by the recent change in Development Loan Fund policy which

Chamber of Commerce of the United States

would tie foreign credits to U. S. export of goods and services.

This development stems primarily from the U. S. balance of payments deficit which reached \$3.4 billion last year.

The balance of payments is the net result of all the nation's international financial transactions. Commercial trade is the largest single item in its composition.

U. S. exports still exceed imports, although the drop in exports last year over previous high levels caused some concern. Current figures, however, show substantial recovery. In September commercial exports reached the highest level in more than a year, exceeding the same period last year by 15 per cent.

The fact that U. S. exports have been rising without artificial stimulus raises some question as to the need for stimulants.

GOVERNMENT SPENDING

Pressures for higher federal spending in several areas will send the fiscal 1961 budget—which the President will present in January—well above this year's level.

Support is building for new spending programs or expanded activity in several areas. Here are some which seem to be developing strength:

A peacetime GI bill. First five-year cost: about \$1.8 billion.

A Youth Conservation Corps program—to combat juvenile delinquency. Annual cost when in full effect: approximately \$375 million.

Federal-aid-to-education legislation. Estimated costs vary according to proposed plans, but bills under active consideration range from \$4.4 billion to \$11.5 billion over a four-year period.

Depressed area legislation to relieve areas of chronic unemployment. Approximate cost: \$250-\$400 million annually.

Space exploration. New budget is expected to estimate \$2 billion as next year's requirement.

LABOR

The Labor-Management Reporting and Disclosure Act of 1959 is now fully in effect.

Each employer must decide whether it requires him to file re-

ports with the Secretary of Labor. If so, he must file within 90 days after close of his fiscal year.

Broadly speaking, employers must report:

Payments or loans to any labor organization or its representative.

Payments to employees for the purpose of causing them to persuade other employees regarding exercise of their bargaining rights.

Expenditures to interfere with, restrain or coerce employees in the exercise of their bargaining rights or to obtain information concerning activities of employees or a labor organization in connection with a labor dispute involving the employer.

Any agreement with a labor relations consultant, including payments for services, where the object is to persuade employees in the exercise of their bargaining rights or to supply the employer with information concerning employee activities or concerning a labor organization in connection with a labor dispute of the employer.

Willful failure to file reports is a criminal offense. Wise employers will analyze their activities to determine whether they should file. Whenever there is doubt, legal advice should be sought.

NATURAL RESOURCES

Industry is leading the way in demonstrating that it pays to grow timber crops.

Such experiments as the American Forest Products Industries' American Tree Farm System (50 million acres under long-term timber management in 16,000 certified tree farms) have shown that timber is a profitable crop.

The National Lumber Manufacturers Association and affiliated groups have successfully launched the National Wood Promotion Program. Expanding population and increasing consumption are improving end-product markets.

New or enlarged plants, new products and product diversification are increasing demands for wood.

TAXATION

The balanced budget projected in the recent Midyear Budget Review is in serious jeopardy. Reve-

nue estimates were based upon a conjectured end to the steel strike by the week of Oct. 18. Continuation of the strike had a cumulative downward effect on prospects for revenues in all tax areas.

Corporate income tax receipts, estimated to be about \$1 billion higher than estimates made last January, are particularly weak as secondary work stoppages were forced.

Individual income tax prospects, guessed to be up \$300 million, suffer from the same cause.

Excise receipts, estimated to rise by \$155 million, were not affected as quickly but tended to drop as stocks dwindled and personal income fell off.

Clearly in prospect now is a change from a balanced budget with a token surplus to a significant deficit—barring overpowering popular demand for reduction of expenditures.

TRANSPORTATION

The expanded federal-aid highway programs continue to hold the spotlight for most communities. The economic impact of the road program is important as a growing part of the national economy.

Congress increased revenues for the Highway Trust Fund in 1959 in the form of a one-cent increase on gas taxes for 22 months ending June 30, 1961. For fiscal 1961, beginning next July, apportionments to the states have already been made totaling \$2.7 billion—\$1.8 billion for interstate construction and \$925 million for primary and secondary system highways.

In barely three years, highway administrators, engineers, and builders have provided highway users with 4,686 additional miles of interstate highways and 75,355 miles of primary-secondary highways and urban extensions costing \$6.2 billion. Some \$2.15 billion has been authorized for engineering work and right-of-way acquisitions.

Studies are under way to analyze the impact of the highway program. Road tests are determining benefits to individual groups so user charges may be equitably assigned.

Although construction in the immediate future is slightly curtailed, the delay is not serious.

TO TRAIN LEADERS

continued from page 37

an understanding of many new technologies, and the direction of an ever-increasing number of specialists. His is a more complex job.

Specialization. Many specialists become disqualified to be executives at precisely the time when the next promotion could make them executives. Their vision of what the business is about has been narrowed to a worm's-eye view of their own specialties.

Mental attitudes. Men do not usually reach executive ranks until they have passed 40 or 45 years of age. Unfortunately for many of us as age piles on, imagination, physical drive, and mental flexibility lessen. Many once-promising and growing men become squarely set in their ruts, assured of all the reasons why the bright ideas of their assistants won't work, and skeptical of suggestions as to new products, new processes, and new methods.

Many men, if they are to supply progressive leadership in an executive job, must be helped to cast off the mental shackles that prevent further growth.

A heightened sense of responsibility. The competent executive today has high standards of management performance that he strives to maintain, and expects his subordinates to attain. He has a sense of responsibility to the individual to help him develop his capabilities to the fullest and to society to develop the human talent of the corporation.

To reach the upper levels of the managerial ladder, an individual must master four kinds of knowledge that he doesn't normally acquire in the jobs on the lower levels.

The lore of the generalist. For most individuals working their way up there comes a time when their success will no longer be based on their ability as salesmen, as accountants, as production men, or engineers. To go further they must demonstrate two additional abilities.

The first is an ability to get work done through others—to show others how, to make them want to do things and do them well, and to hold them accountable. The second is the ability to knit together the efforts of many individuals. This involves laying plans, assigning work, directing the doing of it, and seeing that the team produces.

The role of related functions. The

specialist growing up needs to learn much about other facets of the business. The research chemist who is being promoted into executive ranks need not become expert in selling the enterprise's products. He does need to learn enough about the peculiar characteristics of the sales function to be able to understand the salesmen, and to gain the salesmen's confidence in his decisions.

Knowledge of the outside world. In the higher levels of management, a man is expected to show not only a broad knowledge of his industry but of the world in which the enterprise operates.

He must understand the customers, the workers, the bankers, the civic leaders, and the economic, political, and social forces with which the enterprise must deal. He must understand, and he must be able to deal with, the government officials that regulate, tax, or control the enterprise in many ways.

He must understand the communities in which the company's plants are located, and they may be scattered over several continents.

The art of the executive. Executives at all levels make decisions, but the magnitude of the responsibility borne by the presidents and executive vice presidents of large enterprises is so much greater that the very making of decisions is a quite different task.

The foreman who can deal with each of his workers face to face has problems of communication. But the executive who must communicate his opinions, ideas, and policies to thousands has infinitely larger and more difficult communication problems.

The individual who would rise to the topmost executive ranks must be helped to acquire the skills of abstract reasoning that are required. He must be aided to think more comprehensively, as well as more boldly, than his subordinates. And he must learn the subtleties of directing, exciting, and holding accountable employees he never sees.

The would-be executive, after learning what there is to know of these four fields of knowledge, must develop five essential habits:

Habit No. 1—Training other people. The effective executive must have confidence in his people, even the less-experienced among them. He must have confidence in their ability to do the job he has laid out without detailed directions, and confidence in the suggestions they offer as to how better to do the job. He must be able not only to wel-

come the ideas of others, but to plant his own ideas in the minds of others and to compliment them on their ingenuity.

He must exercise great self-restraint. He doubtless was an expert in his own field, yet he must be content to exercise broad controls over results.

Habit No. 2—Relying on facts. He must deal habitually with each question that arises on the basis of the facts. He cannot afford, no matter how experienced he is, to rely merely on experience.

Experience, as Samuel Coleridge said, is like the stern lights on a ship; they illuminate only the past. Only by consideration of the facts, day after day, can experience be kept up to date.

Moreover, the assertion of experience, like the pulling of rank, is a first-rate way of discouraging the young and capable assistant. To look, with him, at the facts is to establish an objective basis for rejecting his proposals while increasing his understanding.

Habit No. 3—Venting curiosity. The successful executive is usually marked by an insatiable curiosity. This curiosity enables him to keep his decision-making batting average up. Successful executives are constantly seeking to learn about every facet of the enterprise for which they are responsible. Their metabolism is such that they have to poke their noses into one corner of the business after the other, and they do so with the uncanny facility of having their noses in but their fingers out.

Habit No. 4—Sensing the other fellow. The successful executive intuitively senses the reactions of those whom he must persuade. These will include bankers, customers, union negotiators and the employees. The successful executive develops the ability not only to understand those with whom he will deal, but to talk their language.

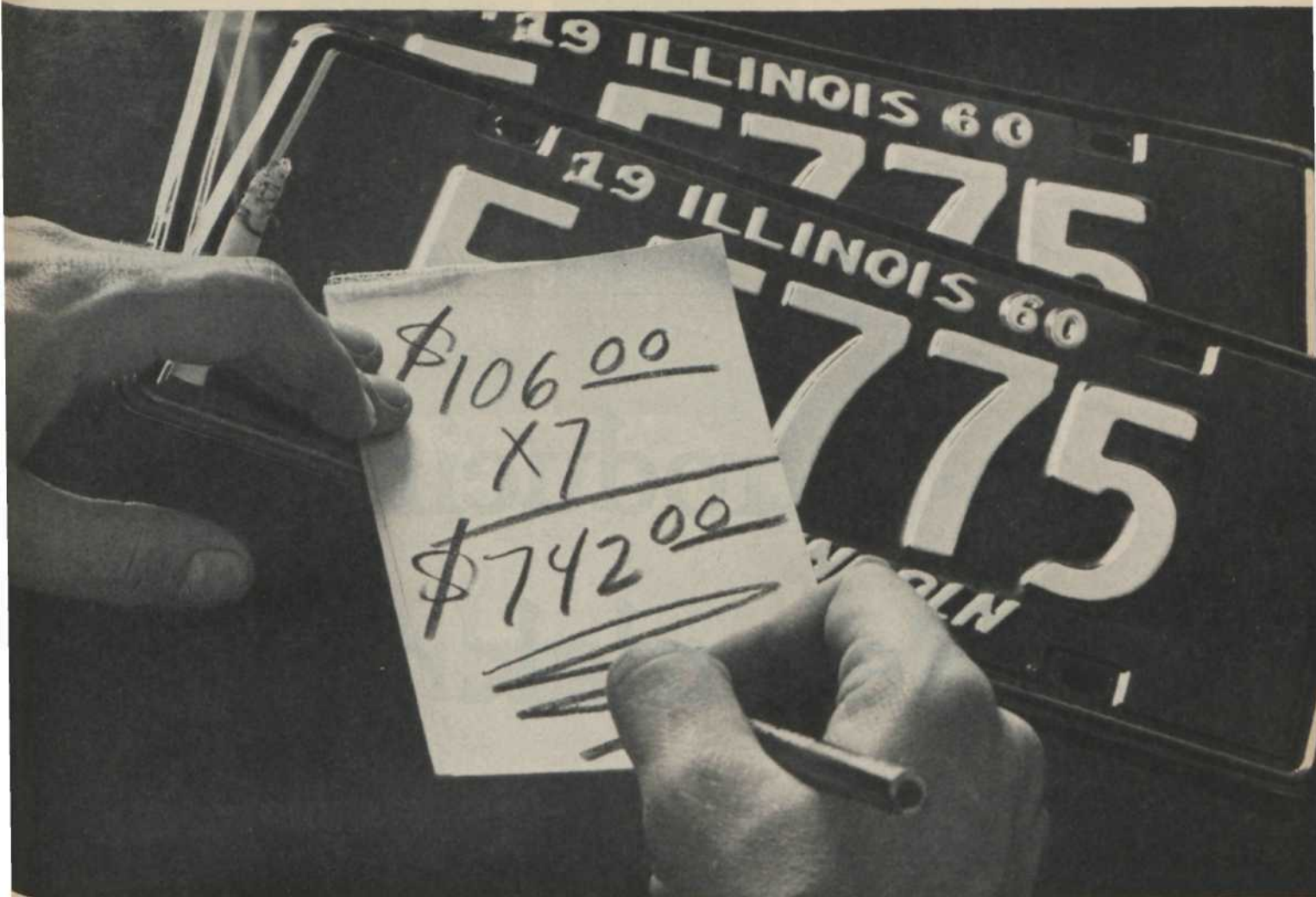
Habit No. 5—Managing one's time. Managing one's time is a habit that can be acquired—and must be if one is to succeed as an executive.

For most of us deadlines are set by others. Staff meetings are scheduled, and appointments are fixed where we are expected.

The executive is more nearly the master of his own time, but he is besieged by many claimants for that time. If he does not learn how to husband his time against those who would steal it, he will be unapproachable to his staff, and he

(continued on page 50)

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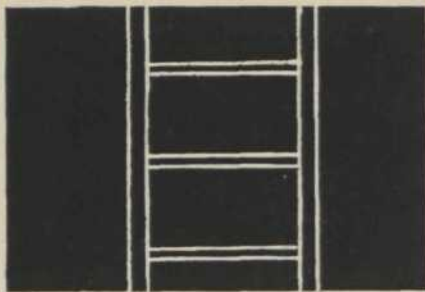
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TO TRAIN LEADERS

continued

will antagonize key customers. In short he will be harassed persistently.

If he learns to budget his time, even as the miler learns to pace himself, he will accomplish much, be available to his staff and others who want to see him, and will exhibit continually a placid air that marks the real executive.

Acquiring executive skill

How best can the man growing up in a corporation or government department acquire the four kinds of knowledge he needs, and develop the habits that go with being an executive?

Despite the substantial numbers sent to university executive development programs and the increased number of universities offering such programs, thoughtful managements have come to realize that the need for executives cannot be met by sending more men to more campus programs.

Not all university programs reflect a clear rationale as to what they are trying to do in the name of "development."

Training methods and faculties are sometimes ill suited. The teaching techniques that serve the undergraduate or even graduate student may not be suited for the man returning to the classroom after 10 or 15 years' absence.

Professors are often unfamiliar with the problems they discuss with future executives. Businessmen, induced to lecture on particular topics, frequently do not have the time to prepare for the assignment and the ability to communicate their own experience.

There is often too much emphasis on the group, too little on the individual. Not all men will benefit from the same intellectual fare. Yet the programs tend to acquire a rigidity as to what topics are discussed and points of view expressed. This does little to stimulate the individual to go off on his own.

Some programs try to do too

much in too little time. To deal within a few weeks with production, marketing, finance, personnel management, and the techniques of managerial planning and control is to offer nutshell introductions of nutshell value. In addition, since the development of an executive involves the changing of attitudes and the cultivation of habits, it can't be done in the two-, four-, or six-week periods that most programs encompass. There is a twofold job for which the university executive development programs are urgently needed. It is:

1. To help specialists, who have reached the bridge-over point in their climb up the organization, learn to think and act like generalists. Some salesmen can become sales managers, some accountants can become vice presidents for finance without special help. They learn by observing others.

But others learn what is expected of them as managers, in contrast to what was expected of them as specialists, only when forced to do so. For them the university executive development program meets an essential need. It provides a break in their work experience at a critical time, forces the individual to think hard about new responsibilities, and acquaints the individual with what there is to learn about how to manage others.

2. To prolong the growth period for men in their 40's who have settled into a comfortable rut. What is needed in executives above all else is the capacity for independent thinking, the ability to see through problems, the habit of questioning what is and what has been in procedure, policy, and practice and the contribution of an unending flow of ideas.

There is no effort the average man will not make, it has been said, to avoid the uncommonly hard work of thinking. Accumulating age and the climate within large enterprises tend to compound this human proclivity. The continual insistence upon order in large enterprises puts a premium on conformity and causes an executive's colleagues to frown on the individual who "sticks his neck out."

The task for the executive development program is not to transmit packages of knowledge that the older heads contain and the younger ones do not. It is to stretch the minds of potential executives and to make the individual see that his largest obligation, as well as the greatest satisfaction he can get, is to think for himself about the whole

business, where it is, and where it should be going.

Beyond this limited and important job for the university program, a substantial development job must be done within the company. It can be stated simply:

Top management must have orderly and considered means that spot the ablest men among its supervisory and junior executive groups and develop the potential they have for top executive assignments. It must have ways of seeing through the brashness and pretense of the overly ambitious and discernment for those who are less showy and slower to develop but possess the potential of leadership.

It must see to it that every member of the top management group is a good supervisor. To develop younger men, management must work with men of real vision, men who will hold their feet to the fire and be exacting in their demand for performance, but will simultaneously accept full responsibility for the development of each man entrusted to their supervision.

The firm that would develop its human talents to the fullest must see to it that those who have large potential are confronted with a succession of challenging assignments. Their capacities must be stretched; their interests never allowed to flag.

Each individual, those who look promising and those who at the moment appear to be marginal, must be subjected to a regular and exacting appraisal—not by a single supervisor, but by two or more members of the management group.

It is the in-house job that must be relied upon to produce executives. The university program can only supplement what is done at home. In the reformulation of existing university programs, there is urgent need for the discovery of a means of better relating what is done on the campus and what is done throughout the year in the plant. But it is what is done in the plant that in the end counts most. If large enterprises are to be run well in the 1970's, it will be because top management accepts its in-house development responsibility in the 1960's.

—JOHN J. CORSON

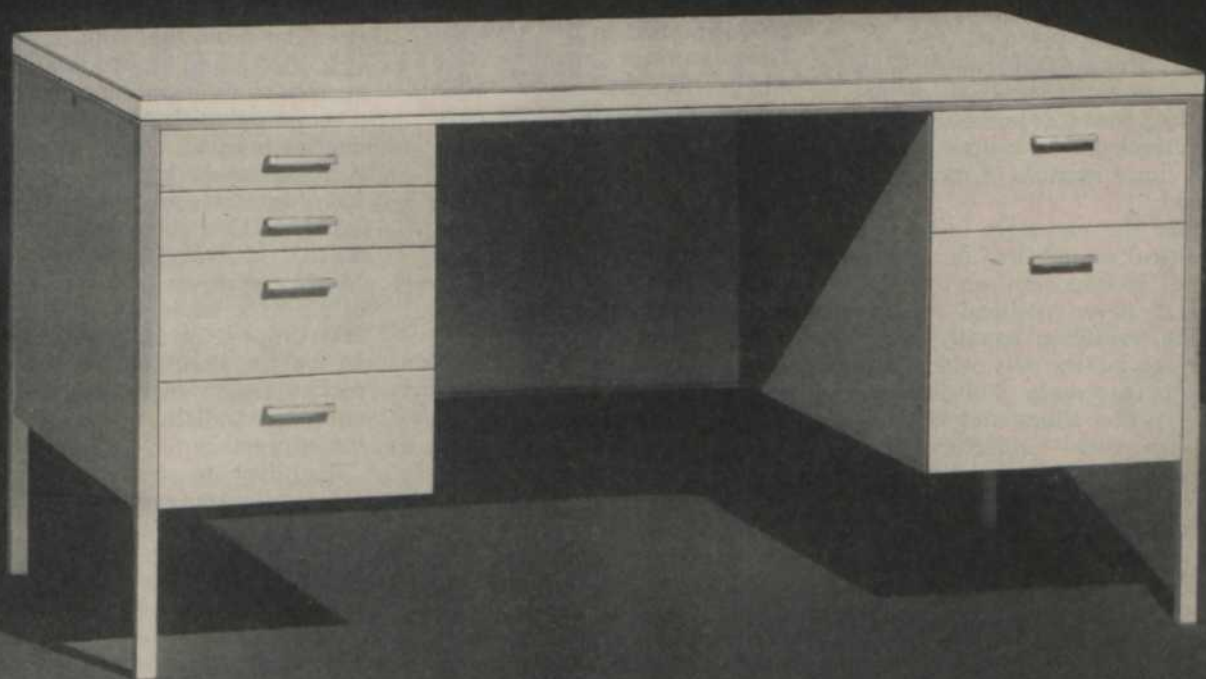
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REPRINTS of "Management in the '60's: How to Train Leaders" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance with order.



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OFFICE POLITICIANS

continued from page 42

tunity to impress and persuade increased numbers.

Another reason for power tactics today is the sponsor-protégé technique. In the past, a high executive typically saw to it that the young executive had the right seniors after whom to model his career. Now this sponsorship is taking on more of the aspects of character manipulation. The young executive is helped to move within the right strata of society, coached in proper word usage and equipped with the intellectual attitudes and physical habits, including dress, that are proper for a corporation man. The point to note is that to become a protégé necessitates having the political skills required to project a favorable image upon others who are central to one's career pattern.

There are, theoretically, two kinds of politicians. One is the man with a predisposition to manipulate others to accomplish certain personal ends. The other is political by circumstance. He realizes that, for certain men, the passion for power is irresistible. In getting to the top he must deal with them in ways that they can best understand. Both types, although they may appear to trust their fellow man, usually keep a reservation about trusting others, especially about something that is crucial to their personal success. Typically, these executives believe that self-interest is the basis of human nature, that it is probably safer to be cautious and to assume others to be at times capable of more bad than good.

Whether the executive is by nature political or political by necessity is not as important as the fact that he is never political all the time. The politician usually relies upon power tactics only when it is strategic or necessary. Political opportunities are short and emerge quickly. In these opportune moments, split-second moves must be made or the advantage will be lost to another. This means that, in addition to timing, the politician has a keen sense of proportion. He knows what is important and what is trivial and conserves his energy and skills for the few big plays.

Furthermore, he does not use up his energy and skill prematurely when he becomes engaged in a major maneuver. He lets a situation extend itself to a point where the many interests involved have declared themselves, at which time he

arrives at the statement or decision that shows total mastery.

The wise politician is never known as a politician. When two near-perfect specimens meet, neither is able to interpret correctly what the other's true identity is. If, however, one is more adroit than the other, he will use his superior skills to deter and isolate the inferior specimen, and when strategic will denounce him for what he really is and thereby indirectly identify himself with the virtues of sincerity, honesty, and a conscientious concern for the company's welfare.

Alliances

The politician discretely establishes alliances with power figures, but in no case is the other individual a more domineering personality

Answers to questions on office politicians

A political type of executive would agree with all the statements in the test on page 43. Dr. Jennings, the test's author, says that if you did not mark "agree" to the statements cited, this indicates a less than uniform disposition on your part toward use of the power tactics that a typical business politician would use. Self-appraisal is the keynote, Dr. Jennings explains. He adds: "If you agree with all of the statements, be sure to check to see if your reasons for agreeing are the same or different than those covered in the article on power tactics."

than he is. Several executives reported the sad results of throwing their lot in with others who were stronger than they. Apparently a stronger personality will come to use the alliance for his own interests and the weaker executive soon finds himself in the position of a junior partner. This may occur because of failure to diagnose properly the true power or strength of the ally. It also occurs because of failure to know precisely one's own strength and weakness.

To be sure, one must become at times a protégé, but only to the degree that the sponsor is of use. A wise politician knows when to disengage himself from his sponsor

and to take on another who will better advance his interests. This must be done, however, so as not to offend or show ruthlessness and greed. Often the junior executive identifies with a stronger personality who makes him his extended ego to the point of smothering his chances of growth and success. If the protégé is overwhelmed by the sponsor so that he cannot disengage without severe emotional deprivation, his political maturity will be arrested and his future opportunity for success diminished.

Friendship

Friendship has become perhaps the most important ingredient in business politics. The politician's definition of friendship is focused on the words loyalty and competence. Loyal subordinates are the mark of a competent executive, but he does not make close friends with subordinates in areas crucial to his interests because this reduces his flexibility. He may appear friendly even though hard to approach. Because he believes friends are as dangerous as enemies, it is important to him to know why people seek his friendship. For him friends are made because they are useful. They convey information, bring prestige, reflect status, bestow favors.

He considers it foolish to make a friend of another who is not capable of returning a favor as great or greater than what he receives. He does not mind breaking past promises that stand in the way of his success or disengaging himself from a commitment that is no longer productive to him.

Praise never influences his opinion of himself and flattery is always avoided. This is necessary because flattery is likely to turn his head. Many executives make the mistake of allowing flattery to give them a false impression of their strengths. In making their moves they incorrectly assess their positions and strengths and the means of achieving supremacy.

Inability to resist flattery explains why top executives often acquire an insatiable drive for power at a time in life when they are physically and psychologically unable to meet the increasing demands that increased power brings. The ability to deal with flattery realistically is a politician's most important asset.

On the other hand, he is the first to flatter others into believing that they are important and necessary to him. This suggests friendship, builds

(continued on page 57)



Imagine doing this every day—yipes!

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The benefits? First off, no stamps. No stamp sticking. No running out of the right stamp. No stamp box, guarded like the family jools!

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For the Japanese know that strong railroads are the sinews of an industrial nation today — essential to success in the fierce economic rivalry for the world's markets.

As Japan has aggressively promoted its railroads, the nation has grown in economic strength since the war. Freight traffic increased some 90% from 1946 to 1956 — and over-all efficiency has gone up with it

* * *

In the United States, by contrast, the government appears indifferent to the strength and stability of the railroads while it promotes and encourages the railroads' competition.

Railroads are burdened with discriminatory taxation — while their competition uses highways, waterways, and airways built and maintained by the government. When we handicap our railroads, we promote inefficiency, high costs and high prices. And all America is the loser.

* * *

The railroads of the United States ask no special favors. All they ask is equality of treatment — and the opportunity to compete *on an equal basis* — to the benefit of the public.

The nation's railroads are its greatest transportation asset. They should be given a fighting chance to show how much they can do for America.

ASSOCIATION OF
AMERICAN RAILROADS
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OFFICE POLITICIANS

continued

confidence, loyalty, and trust. It also develops in the recipient a growing need for flattery which, in turn, provides a vital key to control over him. A common form of flattery today is to place a subordinate on a committee, or better yet, make him a chairman. Many a committee or group has been created or revised in order to disarm and reassure a member or two of the politician's need and appreciation for them. So long as the executive retains the power to make his own decisions, little is ventured and a lot is gained.

The politician is aware that a certain amount of mystery brings respect. Thus he may keep physically close to maintain effective flow of information and stimulation of superior performance, but psychologically distant to maintain a cordial form of equality and objectivity. This allows no one to know who or what he is really like. This aura of mystery enables the executive to deal with his people with a minimum of personal involvement. Yet he does not offend nor is he unnecessarily rude. He is subtle, non-direct, well mannered and a perfect resemblance of the good human relations man. Ideally, this sense of awareness of other people's feelings is combined with the skills of cajolery and humor which allow him to salve wounded egos, restore lost pride, and maintain what appears to be a happy ship.

Sometimes the subordinate members may even believe they are happy although the situation is not quite the way the politician attempts to make it appear. Whereas he is never really known to them, they in turn never really know where they stand with him.

This concept of administration might well be called control by insecurity. It stems essentially from knowing the proper distinction between love, hate and fear. Hate should not be engendered in others because it brings recrimination and revenge. Love or the strong feeling by others to identify closely is preferred, but its essential drawback is that it can easily turn into hate.

Far better is fear, for it brings the necessary respect, avoids hate, and is more productive than love. This means that the politician keeps a firm hold on the reins, breeds just the right amount of insecurity in others to provide opportunities for manipulation, but never shows a

capricious pleasure in creating and intensifying anxieties unless strategically necessary and prudent.

He may pretend to be entrapped in the same network of suspicion and anxiety as the others and to play the role of chief counselor and sympathizer. In some cases he may pretend to be unaware of what is going on around him. Thus he is able to defend himself at strategic moments by wearing the masks of ignorance or naïveté.

This kind of relationship requires that benefits and rewards should not be given too freely and the executive should always keep in reserve some means of rewarding unexpected excellence. Although the reward appears to repay a debt or to show appreciation, it actually is to motivate the individual to greater excellence. Thus, benefits are a form of motivation for future performances rather than reward for past.

From the political viewpoint, a wise executive never allows one whom he has offended to assume a position of strong authority. People remember unkindness longer than kindness. No amount of kindness will remove the memory of a grievous offense. For this reason one who has been deeply wounded is not placed in a position that will allow him to subvert or destroy the executive's effectiveness.

When a grievous offense has been committed, the injured one is not to know that for all practical purposes his usefulness has been ended. He is quietly and gradually placed in a neutral and relatively harmless position. In some cases, care is taken not to add to the offense by such errors as reduction of pay, belittling of status and reduction of prestige.

Decision-making

The politician considers it wise not to allow free participation in decisions crucial to his own interest. A decision once made should not appear to be open to doubt.

The timing of a decision is important. While it is often necessary to decide boldly and swiftly in order to impress, build confidence, and disarm, it is also wise to appear deliberative when it will make the executive effective and help him to appear thoughtful and competent. More important, this variation of tempo prevents anyone from discerning the true basis of his decision-making. As long as this key is not known, the executive can move forward into new areas whose general shape may be known but whose boundaries are uncertain. In

this way he maintains power through flexibility.

Communication

On the matter of communication, the politician does not expose his hand. Superior information is advantageous as a means of control and influence. He never tells all he knows and gives out information sparingly, even when requested. He believes that he should be given advice only when he asks for it, and then it should be specific and to the point. When seeking information, he never reveals his true purpose. He is direct and specific when it is strategic to be, but he excels in ability to be indirect. His phrases, which are often elliptical, reveal nevertheless a kind of consistency that impresses and disarms.

Authority

With regard to downward authority relationships, the politician often reports that a wise executive makes sure that subordinates ultimately rely upon him. If he has to reprimand severely, he does it thoroughly and quickly for this makes him appear both strong and merciful.

With regard to upward authority relationships, he should always be aware of what appears to the boss to be the difference between judicious criticism and arrogance or trouble-making. He always appears to serve the boss's interests but at the same time does not become a pawn. The successful politician has subtle ways of maintaining his personal autonomy. He keeps ambition and competence in the service of his superior's better interests, but he is not too open about his loyalty for fear that he will embarrass the boss or will cause him to become suspicious.

What this research adds up to is a type of executive who is prudent in the sense that what he does is in the proper style and necessary to project an image favorable to corporate success. Not all successful executives are politicians and the executive who has used political means is not necessarily corrupt. Some businessmen rarely, if ever, use power tactics. Many use them in a way that hurts no one and improves their own efficiency and that of associates and subordinates.

—EUGENE E. JENNINGS

REPRINTS of "You Can Spot Office Politicians" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.

What's **next** in labor legislation

New problems and politics will shape congressional action in next session

YOUR LABOR COSTS will rise and some of your relations with unions may change if the Eighty-sixth Congress passes the additional labor legislation that it has in mind.

You can see the shape of what may come from the second session if you:

First, look at the progress this Congress already has made toward some of its objectives in the labor field.

Second, examine the new labor problems that have arisen.

Third, recognize the realities of practical politics.

Legislation to be considered falls into two groups.

Group one includes proposals which would affect union conduct and employer-union relations, and have less chance of passing. Among them:

Revising federal government procedures for preventing strikes, such as that in steel, which endanger national health and safety.

Curbing use of union dues for political purposes.

Controlling of union monopoly power and wasteful featherbedding practices.

Permitting picketing of construction projects to enforce a form of secondary boycott.

Group two includes those proposals which would benefit large numbers of workers and retired persons. These have the best chance of passing. They include:

Increasing the minimum wage from \$1 to \$1.25 an hour and bringing an additional 10 million workers, mostly in retail trade and services, under federal wage-hour regulations.

Setting federal minimum standards which the states would have to meet as to amount and duration of unemployment benefits.

Providing hospital, nursing home care and surgical benefits to persons eligible for retirement under the Social Security Act.

You can expect most, if not all, of the labor legislation that this Congress passes from now on will be what the union leaders want. Here's why.

Next year the country will elect a new President and a new Congress. In the past, both Congress and the Administration have made it a point before elections to enact labor-welfare legislation that would impress and win the favor of unions, union members and the masses of voters. Many in Congress will feel in 1960 that they have added reason for adhering to tradition. Many who supported the new Landrum-Griffin labor reform law (see page 40) because of strong public demand for it will decide that, for political reasons, they now have to square themselves with labor's leaders by backing legislation the unions want.

Another reason labor-supported legislation has a better chance next year is that some of what labor wants already is part way through Congress.

Strike emergencies

Greatest current interest in labor legislation centers around adequate machinery for coping with national emergency strikes. This is because the long steel strike has hurt many industries besides steel and a railroad strike is threatened in February.

You can expect a hot fight on this issue after Congress convenes in January if there is a threat that the steel strike may be renewed when the 80-day Taft-Hartley law injunction expires on Jan. 26.

It may also envelop the Railway Labor Act, which has come in for increasing criticism in recent years, particularly from railroad and airline management.

Chief complaint against Taft-Hartley's treatment of strikes which endanger national health and safety is that it is too inflexible and does not facilitate solution of the deadlock between union and management.

Many revisions for the Taft-Hartley national emergency procedure have been proposed. None of them has the support of major business organizations. The revisions proposed range from earlier use of fact-finding boards—before an emergency threatens—to recommendations for settlement, labor-management courts, compulsory arbitration, and government sei-

zure. Secretary of Labor James P. Mitchell has proposed earlier use of fact-finding, with recommendations if both sides request them.

President Eisenhower in 1954 asked Congress for authority to reconvene a board of inquiry, such as he appointed in the steel dispute, and ask it to make recommendations if mere fact-finding did not produce a settlement.

Unions prefer the use of fact-finding boards which can make recommendations, without any strike injunction, just as former President Truman used them in a dozen or more earlier postwar disputes in major industries. Members of Congress friendly to organized labor are urging such legislation, with seizure as final step if agreement is not reached.

The emphasis on recommendations by government-appointed boards, followed by seizure if necessary, is interesting in the light of the railroad industry's experience under the 1926 Railway Labor Act.

The Railway Act provides for recommendations for disputes settlement by presidential emergency boards, but a breakdown of the machinery during and since World War II has led to a re-examination of the law's effectiveness.

Railroad management has complained that the railroad brotherhoods tend to go through the motions of collective bargaining while waiting for the dispute to go to a presidential emergency board for recommendations.

Once the recommendations are handed down, the unions invariably have used them as the minimum from which to bargain for additional wage increases

or benefits. A deadlock with management then leads to seizure. This has occurred several times since the war.

In many instances, unions have been able to improve on recommended settlements, sometimes with White House assistance in previous administrations.

Effectiveness of the Railway Act has deteriorated so much that railroad management now would like to have compulsory settlement of critical disputes.

Daniel P. Loomis, president of the Association of American Railroads and former chief labor negotiator for major railroads, would give the President the emergency power to determine whether a dispute should be submitted to arbitration and require that the decision of the arbitrators be final and binding for a period of six months or a year. Arbitration could be renewed at the end of that period.

Mr. Loomis believes that, although other industries may justly fear compulsory arbitration leading to compulsory price setting, this is of no particular concern in railroading, where rates already are under strict government control and regulation.

Almost everybody—government, management and labor—opposes compulsory arbitration of labor disputes generally unless it is part of a voluntary labor-management agreement.

Secretary Mitchell has warned that compulsory arbitration of railroad disputes would pose a threat to other industries because of the "habit of government to cover a much wider field than was first intended."

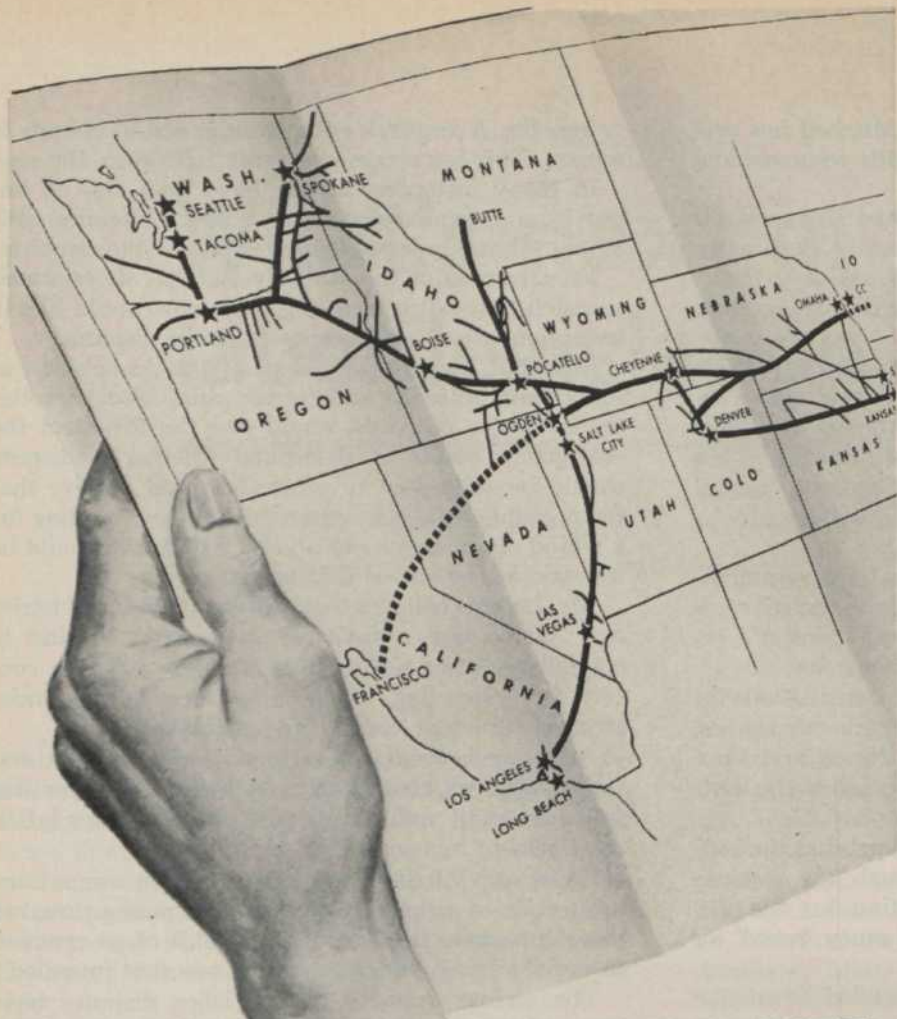
The airline industry, whose labor disputes have been subject to the Railway Labor Act since 1934, has also been critical of the statute as creating an im-

“You can expect most labor legislation Congress passes from now on to be what union leaders want”



Union leaders want:

- ▶ Increase in minimum wage to \$1.25 an hour
- ▶ Coverage extended to 10 million additional workers
- ▶ Federal standards for state unemployment compensation
- ▶ Hospital and surgical benefits for retired workers
- ▶ Right to picket construction project to stop nonunion work



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LABOR LEGISLATION

continued

balance in labor's favor at the bargaining table. Strike troubles a year ago led major airlines to enter into a mutual strike aid pact which has been approved by the Civil Aeronautics Board over union protests.

The U. S. Chamber of Commerce believes that government seizure of private property in a labor dispute is inconsistent with the best public interest in all but extreme situations, and that it should be utilized only, 1, in time of hostilities when the dispute endangers public health and safety and, 2, after a special act of Congress.

If the steel dispute is settled in January, Congress is not likely to reopen the Taft-Hartley Act to revise the national emergency section.

Union political spending

Efforts to ban the use of compulsory union dues for partisan political purposes are held in abeyance while awaiting the views of the Supreme Court.

The Court, in the *Looper* case involving employees of a railroad in Georgia, will decide whether constitutional rights are being violated when workers are forced to pay dues to a union to hold their job, and the dues are used for political purposes.

In an earlier case upholding compulsory union membership for railroad employees under the Railway Labor Act, even in Georgia and 18 other states with right-to-work law forbidding such a practice, the Supreme Court indicated that it might take a different view if the union dues were used to "enforce ideological conformity" in contravention of the Constitution.

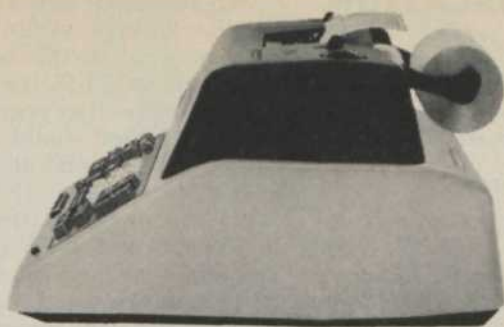
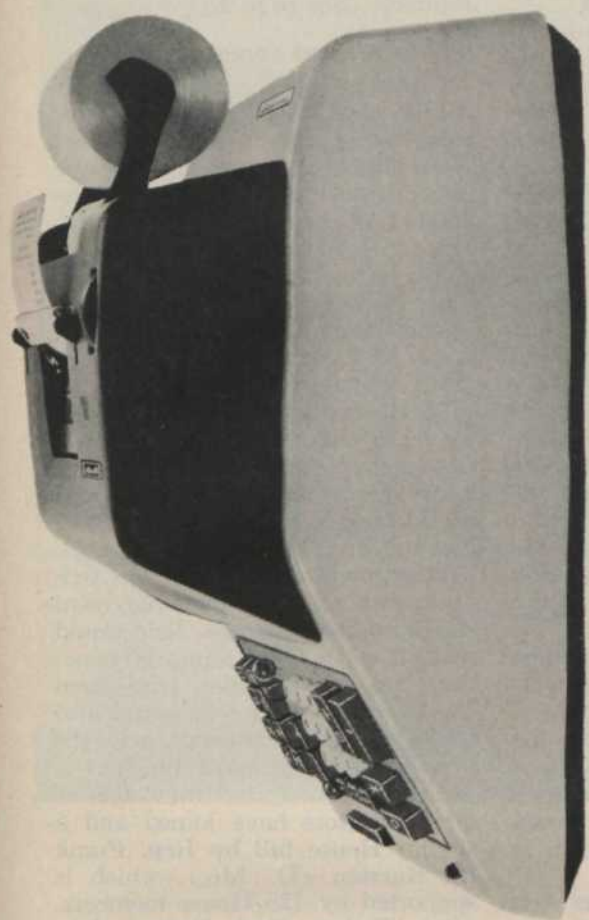
If the Court rules in favor of the employees, unions will have to give up compulsory union membership contracts or cut their political action program drastically.

If the Court rules for the railroad brotherhoods, legislation will be pushed to prohibit the spending for political purposes of dues obtained from workers forced into unions.

Monopoly power

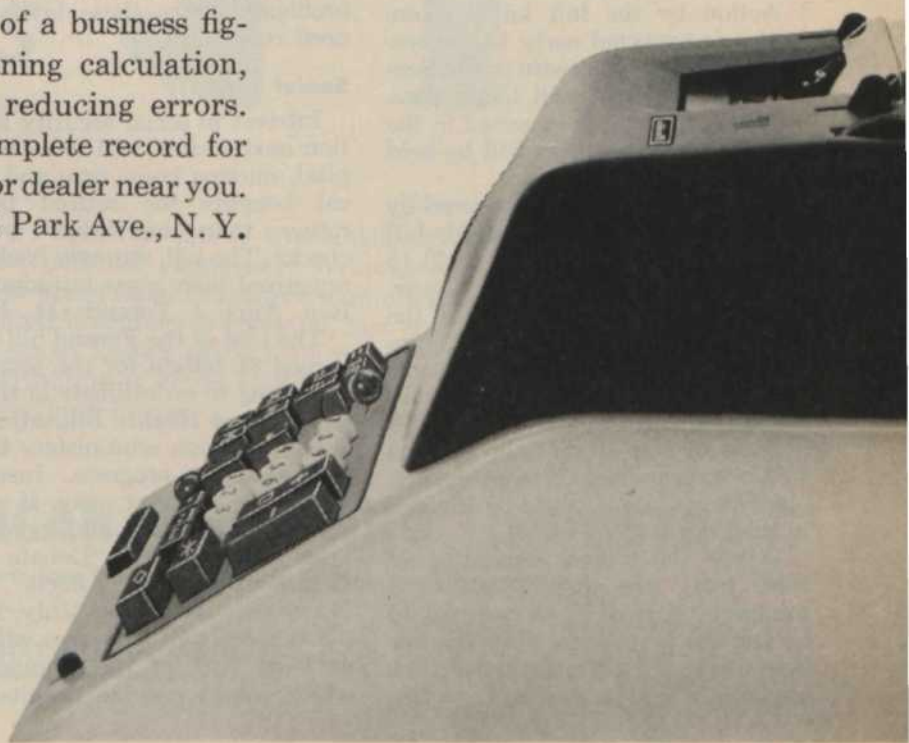
Proposals to reduce labor's monopoly power by bringing unions under antitrust laws, curtailing industry-wide bargaining, prohibiting featherbedding (make-work) practices, and other means, will have more steam behind them as a result of the steel strike.

Their chances are not good, how-



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LABOR LEGISLATION

continued

ever, unless public opinion demands the legislation emphatically.

Construction picketing

In the compromises which resulted in the Landrum-Griffin labor reform law, Sen. John F. Kennedy (D., Mass.) withdrew a provision which would have permitted building trades unions to picket a construction site and stop all work, where the object was to enforce a general contractor's agreement not to do business with nonunion subcontractors.

Senator Kennedy promised to restore this provision through separate legislation in the next session. Business groups will oppose his bill.

Landrum-Griffin does not prohibit all picketing in this situation, but requires that the picketing be clearly directed at the particular subcontractor against whom the union is protesting, and that it be carried on only while the subcontractor is working on the project.

Of this group, this bill has the best chance of passing.

Minimum wage

A Senate labor subcommittee has approved a bill by Senator Kennedy which would raise the federal minimum wage to \$1.25 an hour. It has been \$1 since March of 1956.

The bill would also extend coverage to 10 million additional employees, mostly in large retail and service establishments. Some 25 million are now covered.

Action by the full Labor Committee is expected early in the session to send the measure to the Senate floor, where it will likely pass.

More of a fight is expected in the House, where hearings will be held on a similar bill.

For employees already covered by the wage-hour law, the Kennedy bill would boost the minimum to \$1.15 in 90 days and to \$1.25 after a year.

For newly covered employees, the minimum hourly wage would be increased gradually as the basic workweek before premium overtime pay is reduced to 40 hours.

A major new group to be covered would be employees of large department stores. They would be affected in this way:

Where the store's annual gross sales total less than \$750,000, a minimum wage of \$1 an hour would be applied 18 months after the law became effective. Premium overtime pay would not be required.

Where sales top \$750,000, the minimum wage would be \$1 the first year, \$1.10 the second, \$1.20 the third, and \$1.25 the fourth year. For the respective years, time-and-a-half overtime would be required after 46, 44, 42 and 40 hours.

Historically, as the minimum wage has increased from 40 cents to 75 cents and to \$1 since the initial minimum was set in 1938, the groups not covered or exempted from the law have increased. To get needed support for a higher minimum, in other words, Congress has found it necessary to bargain away coverage of some of the marginal industries.

This time, as usual, the heaviest fighting will be on efforts to expand coverage. Congress is more likely to raise the minimum than to bring more workers under the law.

Witnesses for the U. S. Chamber urged the Senate labor subcommittee to reject the Kennedy bill on the grounds that it would hurt the small businessman by forcing him to raise wages in order to compete for employees.

The Administration favors some extension of coverage, but not as much as the Kennedy bill proposes, and opposes any increase in the minimum at this time.

A House Labor Subcommittee will investigate two other minimum wage laws, but action on them is improbable next year.

They are the Davis-Bacon Act, covering work on government construction, and the Walsh-Healy Act, covering work on government supply contracts. A special U. S. Chamber committee is studying employer problems under these laws which need correcting.

Social security

Interest in social security legislation next session will focus on hospital, nursing home care and surgical benefits for retired persons rather than on larger pension checks. The bill, strongly backed by organized labor, was introduced by Rep. Aime J. Forand (D., R. I.).

The cost of the Forand bill would exceed \$1 billion for the first year, according to an estimate of the Department of Health, Education and Welfare, which administers the social security program. Insurance actuaries, however, say it would cost twice as much, and increase in later years. (See "Debate Over Health Insurance Affects You," NATION'S BUSINESS, July, 1959.)

Odds are that Congress will pass at least part of the Forand bill, which would provide hospital and

surgical care for 70 per cent of the country's population over 65. Even without these increased benefits, the cost of social security to employees, the self-employed and employers will rise again Jan. 1 as it did last January. (See page 9.)

Unemployment compensation

Unemployment compensation is paid as part of a federal-state program under which the individual states determine the size of the unemployment payment and the number of weeks it will be paid. For other factors, such as size of employers covered and disqualification, states simply have to meet certain minimum federal standards. Many of them go beyond the minimum in many ways.

Now organized labor is driving for legislation under which the federal government would set minimum standards which the states would have to meet with respect to amount and duration of benefits. The ultimate objective is full federalization of the unemployment compensation program. This would make it easier to get improved benefits from one Congress than from 50 state legislatures. It would also increase labor's influence over the program. Focal point of this drive is another Kennedy bill in which 31 other senators have joined and a similar House bill by Rep. Frank M. Karsten (D., Mo.), which is supported by 125 House members. (See "Unions Push Federal Jobless Pay," NATION'S BUSINESS, March 1959.)

The bills would require states to set a minimum benefit of not less than 50 per cent of a worker's weekly pay and not less than two thirds of the state's average weekly wage (whichever is less) and make the payments for not less than 39 weeks. Except for domestics and farm help, all employees would be covered.

President Eisenhower has in the past urged the states to pay benefits of at least half of worker's earnings for at least 26 weeks. Many have achieved and some have surpassed that objective.

But the President has opposed any setting of compulsory minimum standards by the federal government. He feels that the decisions should remain with the states.

Chances of passage are slim. The issue is wrapped up with the unemployment problem and will be considered along with proposals for aid to distressed areas with chronic heavy unemployment. A study is being made by a special Senate Committee on Unemployment. **END**



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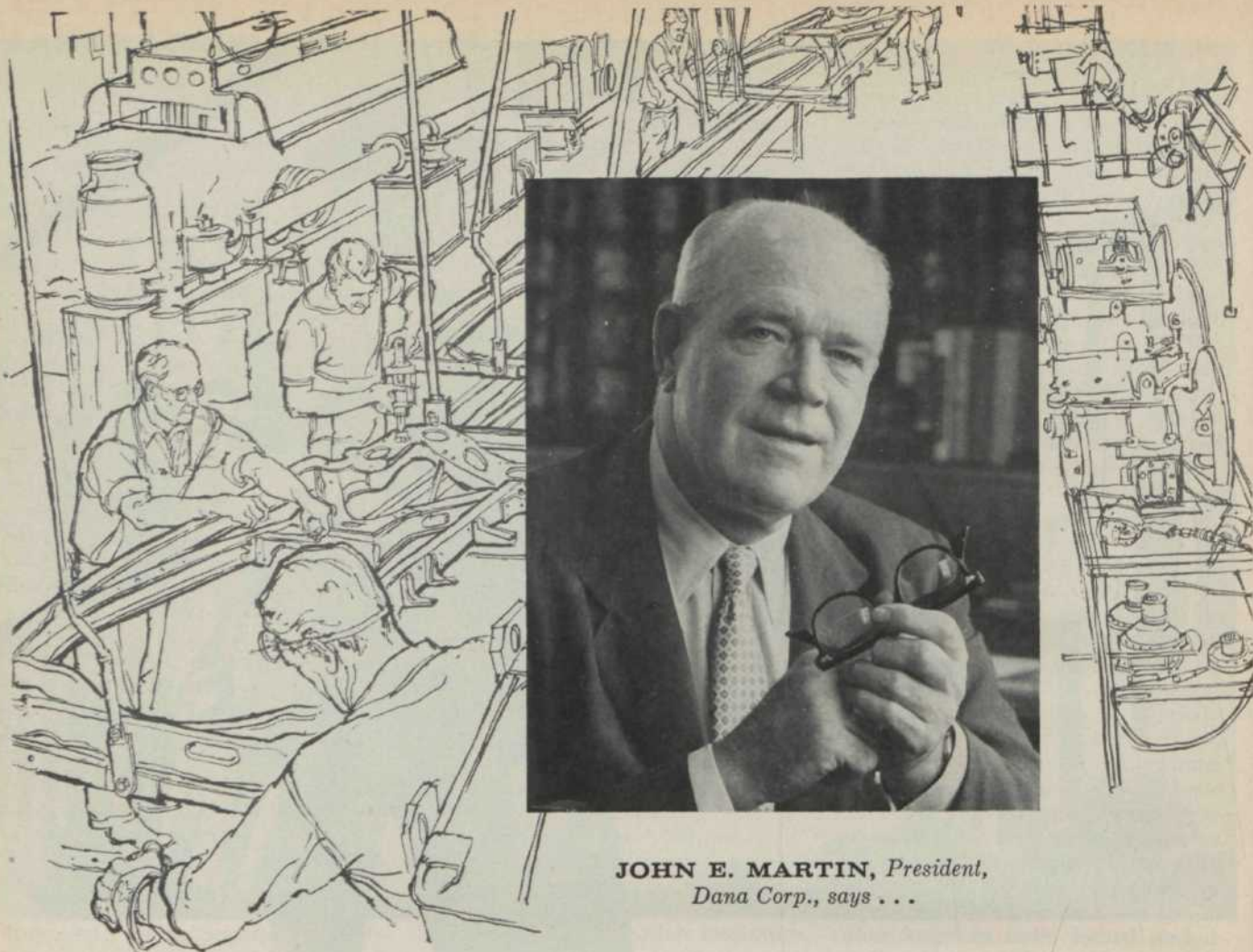
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YOUR MONEY

continued from page 35

told NATION'S BUSINESS: "If the Federal Reserve Board keeps tightening money it might bring on an investigation." He sees tight money as a key issue in 1960.

Mr. Patman frequently has sought investigations and taken part in monetary probes when demand for capital has sent interest rates upward in the past.

In the most recent previous tight money period in 1955-57, President Eisenhower called for a broad national study of the performance and adequacy of our financial systems.

The Senate Finance Committee held hearings on the financial condition of the nation in the summer of 1957. It issued an analysis of these hearings but no official report or recommendations.

This year, when the Ways and Means Committee was considering the President's plea to remove the interest ceiling on government bonds, a proposal was made that dealt with monetary policy and Federal Reserve powers. It took the form of an amendment sponsored by Rep. Lee Metcalf (D-Mont.). It expressed the sense of Congress that the Federal Reserve should buy government bonds when the nation's money supply needed to be increased. It was seen as a proposal to make the Board support the government bond market, as it did during World War II. Federal Reserve Chairman Martin and the Eisenhower Administration opposed it, warning that investors would interpret it as inflationary. This proposal could be offered again next year.

Another legislative idea involving the Federal Reserve Board and monetary policy is embodied in a bill that the House Government Operations Committee reported this year. Its main sponsor is Rep. Henry S. Reuss (D-Wis.). The bill, still alive for consideration next year, would give the President power to order investigations of price increases. It would also require the President to spell out monetary policies, a job Congress has delegated to the Federal Reserve. If enacted, it could erode the Federal Reserve's nonpolitical independence in money decisions.

The AFL-CIO, which has scored the Federal Reserve's policy of credit restraint, wants representatives of labor, consumers and small business on the boards of the 12 regional Federal Reserve Banks,



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Dana Corp., says . . .

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YOUR MONEY

continued

thus hoping to create an easy-money bias in future monetary decisions.

Another proposal that has been made in the past and could be renewed is the establishment of a federal coordinating agency to make recommendations for both fiscal and monetary policies.

Behind all the easy-money schemes is the idea of more political control in money matters, and more interference with the operation of the free market.

Treasury Secretary Robert Anderson has pointed out:

"Any attempt to hold interest rates to artificially low levels would fail unless steps were taken to adjust demand and supply forces consistent with the selected level of rates." Such controls, he said, would be "an abridgement of economic freedom." In boom times, with high demand for credit, he concluded, the choice is either between a somewhat higher level of interest rates or stimulation of inflationary pressures through monetary expansion."

Economic controls

Korean war economic controls were ended in 1952, as inflationary pressures eased.

Since then selective controls of prices, wages and credit have been proposed from time to time, but have been consistently opposed by the Eisenhower Administration and the majority of Congress, even on a stand-by basis.

The only live bill that would provide for credit controls is a measure sponsored by Sen. Prescott Bush (R., Conn.). It has not been pushed and stands little chance of action next year.

Though consumer credit has nearly reached a record \$50 billion and prices and wages have crept steadily upward, it is highly unlikely that economic controls will gain any further favor in a peacetime economy. One congressional committee staffer commented:

"Why would Congress have the government insure and guarantee housing loans, for example, then turn around and require one-third down payment on a house?"

About the only possibility of increased demand for controls would be in a climate of runaway inflation. If, for example, interest rates were held down artificially by government action, demand for capital would tend to go up. Artificially

low interest discourages saving, encourages spending and causes price rises. Inflation and less purchasing power result. Galloping inflation could bring political pressure for direct controls.

The legislation sponsored by Representative Reuss in the House and Sen. Joseph Clark (D., Pa.) in the Senate giving the President power to investigate price rises has most chance of being at the center of any control-type legislative fight next year.

Future money policies

A surplus in the federal budget is the desirable but often elusive goal of national policymakers.

Usually the surplus offers a way to give money back to voters in the form of tax cuts. Or it is seen as a means of enlarging some existing program or providing new services for taxpayers.

Advantages of a budget surplus now are being extolled by a broad range of policymakers as a way to reduce the national debt. Surplus and debt reduction are not new objectives of the Administration.

For a penetrating report on how
"You Can Spot
Office Politicians"
turn back
to page 42

But the goal is being held out as a solution to tight money. Moreover it is being widely billed as the answer to one of our knottiest national problems: building economic growth without inflation.

Administration and congressional action to create a budget surplus would be a powerful force for sound growth and purchasing power.

A variety of ideas undoubtedly will be presented to Congress for achieving a budget surplus. One idea, being mentioned privately, is for Congress to give the Treasury authority to increase taxes within certain ranges in order to bring in adequate revenue.

This would face stiff opposition from many members of Congress.

However, tax reform to close loopholes and eliminate some tax deductions and credits could draw considerable support. The House Ways and Means Committee has launched a giant tax study with a view to broadening the tax base and assuring adequate income.

The alternative action of reduced spending, perhaps in combination with tax reform, would be welcomed widely in government as the best means for bringing in a budget surplus. A booming economy with greater earnings naturally increases the possibility of surplus.

The benefits that could flow from a budget surplus used to reduce the debt are these:

As government securities are paid off instead of refunded, investors who held them seek new outlets for their money. Investment in stocks, bonds, mortgages and plant and equipment increases. As the need for government borrowing decreases, more money and credit are available and interest rates drop. This eases the problem of managing the debt and reduces the pressures of inflation. Investment in productive capacity would provide the basis for real growth with less inflation.

The recommendation that more reliance should be put on fiscal policy rather than monetary policy may be heard frequently in the next session. The Administration will be criticized for running deficits. The Democrats will be blamed for spending that led to the same deficits.

Chairman Wilbur D. Mills (D., Ark.) of the Ways and Means Committee and Representative Reuss both have criticized the Administration for what they call a loose fiscal policy and tight monetary policy. They have said that a firm fiscal policy that provides for a surplus could bring about a relaxed monetary policy.

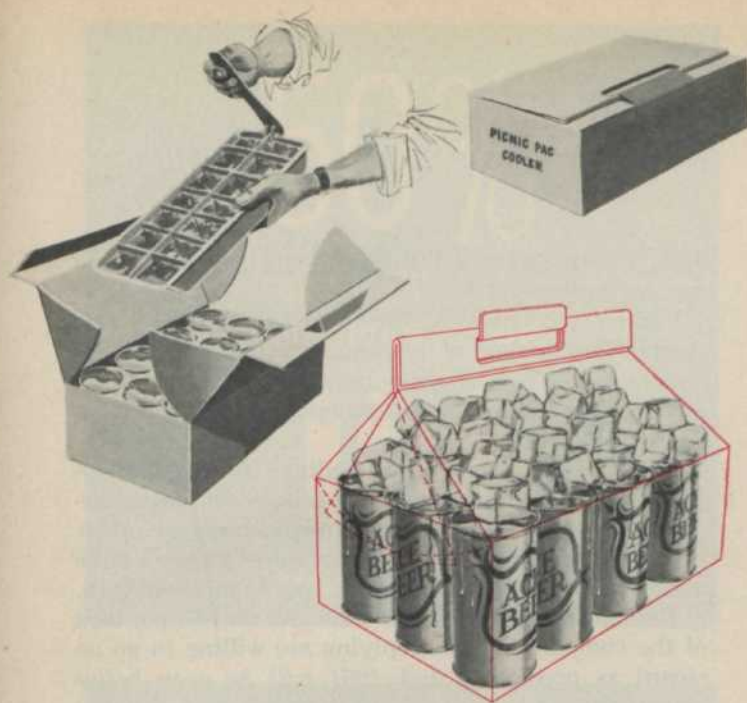
The President's Cabinet Committee on Price Stability for Economic Growth, headed by Vice President Nixon, also called for a surplus to be applied to debt reduction.

A member of the President's Council of Economic Advisers, Dr. Henry C. Wallich, is on record for a fiscal-monetary policy involving budget surplus and relaxed monetary policy for economic growth with price stability.

So fights over money matters are in store for next year.

But increased support for fiscal and monetary policies that would stimulate business activity and at the same time protect your dollar's purchasing power also glimmer as a future possibility.

END



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COMING IN '60

more sales

more jobs

more spending

Leaders of business predict trends in new Nation's Business survey

(EDITOR'S NOTE: The recent long strike in the American steel industry has given rise to widely divergent views on the outlook for business in 1960. With this in mind, NATION'S BUSINESS polled 1,016 high-ranking executives in all major industries, asking them to spell out their expectations for the year ahead. More than 300 businessmen responded. Here's what they said:)

THE FIRST YEAR of the 1960's will be a rewarding one for business.

For most companies, 1960 will bring rising sales, stepped up hiring of workers, moderate price increases, a level to slightly improving profit picture, and more spending for the things that promote business growth.

The optimistic tone of the findings contrasts sharply with cautious and even gloomy forecasts being circulated by some economists and business planners.

The average businessman simply doesn't seem to be willing to bury 1960 before it has even been born.

Perhaps more surprising is the fact that 63 per cent of the company officers replying are willing to go on record as predicting that *1961 will be even better than 1960*. Some economists have been saying that 1961 will be a recession year.

This is not to suggest that there are no question marks in the short-term outlook. Uncertainties caused by the steel strike (particularly its effect on the availability of steel for manufacturing purposes) and the tight money market are headaches for a number of companies. But these companies are a minority. Cost pressures, union pressure and difficulties in finding and developing competent personnel at all levels shape up as more important worries for the majority of firms.

That's the general picture. Let's look more closely now at the details:¹

1. Sales

The survey participants—55 per cent of them are company presidents—were asked to project sales for

WHAT TOP BUSINESS LEADERS PREDICT FOR 1960

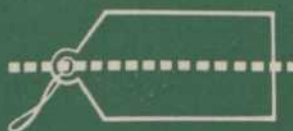
82%

expect their
sales to rise



65%

foresee no big
change in prices



31% foresee price rise

¹Figures used have been rounded. In some cases percentages do not total 100 because of multiple answering.

50%

say they'll
hire more people



45% say "no change"

58%

look for same
profit per sales dollar



28% expect a rise

43%

figure they'll
spend more to grow



68%

forecast rise in
total labor costs



30% say "no change"

84%

report "tight money"
won't affect their plans



48%

plan to spend
more for research



34% say they'll spend about same

COMING IN '60

continued

their industries and for their own firms. Seventy-five per cent said the 1960 sales volume of their industries would exceed that of 1959. Twenty per cent predicted about the same level of sales for their industries in 1960, and five per cent said they expected industry sales to drop.

When they turned to their own companies, the executives registered more optimism. Eighty-two per cent predicted an increase in their own sales in 1960; 15 per cent forecast about the same sales level, and only three per cent said they anticipated a decline.

Estimates of company sales increases averaged nine per cent, with a high of 50 per cent and a low of one per cent. Estimated decreases averaged nine per cent also, with a high of 15 per cent and a low of three per cent.

2. Inventories

The question was, "Have you reached about minimum inventory for your expected sales rate?"

Fifty-seven per cent of the respondents said they have. Twenty-five per cent said they have not arrived at this point.

Eighteen per cent of the executives declined to answer the question because the availability of necessary steel made an answer difficult or impossible.

The financial vice president of one of the nation's largest brewing companies said that his company's inventories are currently high because of "supplier strikes."

3. Employment

Fifty per cent of the businessmen answering the question on employment said they expect to hire more people next year. Forty-five per cent expect to have about the same level of employment. Only five per cent predicted a drop.

Estimated increases averaged six per cent, with an estimated high of 30 per cent and a low of one per cent. Estimated decreases averaged eight per cent, with a high of 25 per cent and a low of two per cent.

4. Company spending

This question had three components—spending for improvement of existing products or services, spending to launch new products or services, and spending to expand existing facilities.

Fifty-one per cent said they will

spend more in 1960 than in the year now ending to improve their present products or services. Thirty-three per cent said they will spend more to launch new products or services, and 43 per cent said they would spend more in 1960 than in 1959 for expansion.

Seven per cent of the respondents answered by saying they expect to spend about the same amount next year as this for all purposes mentioned.

Some executives commented that their companies have been spending at a high rate for expansion in recent years and that this rate will taper off in '60. In one field, however—electric power—growth spending appears to be vigorous and moving generally upward. Here are some concrete indications:

President of an eastern power and light company: "We'll spend less than in 1959 but substantial amount nonetheless—that is, \$35 million, in accordance with predetermined construction planning."

Vice president of a southern power company: "Increased expenditures [planned] for expanding electric utility plant."

Budget director of eastern utility: "Much of our spending for capital improvements must be made in order to meet our customers' requirements for electric service and will generally be so made regardless of interest or tax rates. However, any reduction in the over-all cost of money, whether accomplished by a reduction in interest rates or by a reduction or deferment of federal income taxes, will tend to encourage capital expenditures particularly for new, more efficient equipment replacing older, less efficient equipment."

Vice president of a western power company: "Will probably spend slightly more for plant expansion than in year now ending."

Here's an incidental comment by the vice president of a company which warehoused steel during the steel shutdown: "The strike has had a favorable effect upon our sales as a steel warehouse. This would not be the effect if another strike were to follow in early 1960 after an 80-day Taft-Hartley injunction."

5. Money and credit

The executives surveyed were asked: "What effect will the money and credit market have on your plans for 1960?"

Eighty-four per cent replied that it would have no effect on their plans. Twelve per cent said the

money situation would force them to reduce their expected outlays. Four per cent said it would result in an increase of their planned expenditures.

6. Taxes

"Would your spending for capital improvements increase with favorable revision of corporate rates? Depreciation provisions? Excise levies?"

To the first question—on corporate tax rates—50 per cent of the executives said favorable revision would lead them to boost their capital expenditures. Forty-three per cent said that revision would not produce this effect.

To the second question—on depreciation provisions—53 per cent said "yes" and 37 per cent said "no."

To the third question—on excise taxes—17 per cent said "yes" and 56 per cent answered "no."

7. Prices

Sixty-five per cent of the businessmen replying predict that the prices of their products—or their services, if they are in a non-product business—will remain at about present levels through 1960. Thirty-one per cent forecast a rise. Four per cent expect their prices to decline.

8. Profits

Participants were asked if they expect their profit per dollar of sales to rise, decline or remain about the same in 1960. Fifty-eight per cent expect their profit per sales dollar to remain about the same; 28 per cent expect it to rise, and 14 per cent expect it to decline.

9. Labor costs

The survey asked: "Will your total production labor costs (not just wage rates) rise, decline, or remain about the same?" Sixty-eight per cent predicted a rise. Thirty per cent said these costs would hold at about present levels. Two per cent forecast a decline in their total production labor costs.

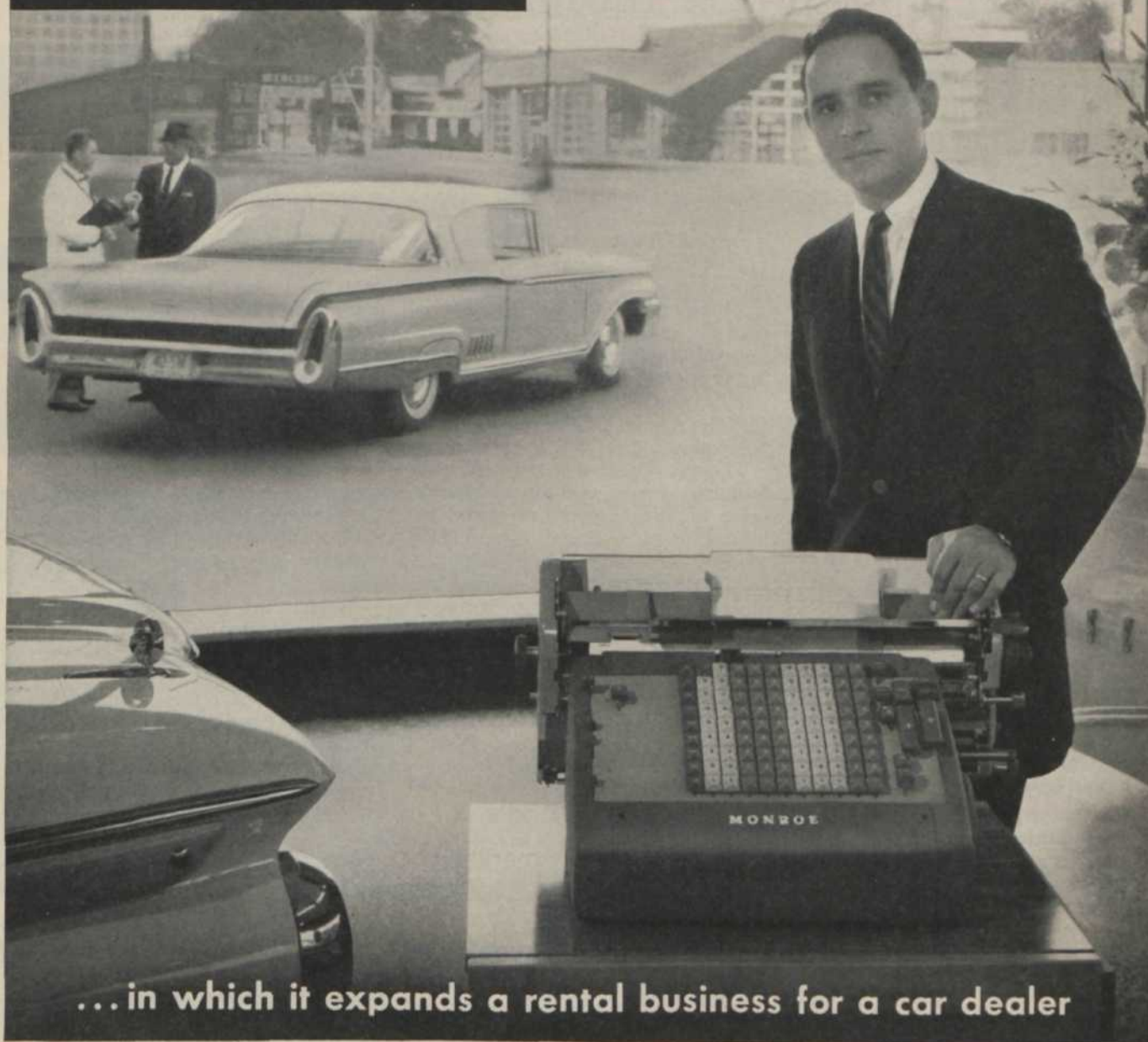
10. Research

Forty-eight per cent said their companies would spend more for research and development in 1960 than in the year now ending. Only one per cent said they would spend less.

Thirty-four said they would spend about the same amount next year as they have spent this year.

Seventeen per cent indicated that due to the nature of their business

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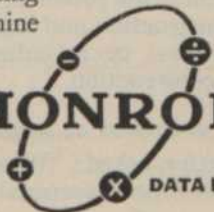
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operation, the question did not apply to their companies.

11. Long-range outlook

The executives contacted by NATION'S BUSINESS were invited to project the increase of volume of their industries five years hence.

Here are the increases predicted:

Six per cent of the men polled said their industry five years hence would increase its volume by from one to five per cent.

Sixteen per cent said the increase would be from six to ten per cent.

Eighteen per cent said it would be from 11 to 15 per cent.

Twenty-one per cent said it would be from 16 to 20 per cent.

Seventeen per cent said it would be from 21 to 30 per cent.

Twenty-two per cent said it would be 31 per cent or more.

12. What do you expect in 1961?

Answers to this question show that 63 per cent expect 1961 to show an increase in their general business over 1960. Twenty-six per cent expect about the same business level in 1961 as in 1960, and 11 per cent expect a decrease in 1961 over 1960.

Biggest company problems

The survey attempted to pin down the thinking of top executives on the most pressing problems facing their companies in the coming 12 months.

The answers and comments, although they differed somewhat from industry to industry and even company to company, do show certain over-all trends.

Pressures of costs worry a great many company officers. Both materials costs and the price which industry must pay for labor were mentioned frequently. A number of managers talked frankly about the pressure which rising wage rates are putting on their price structure.

Said the treasurer of a large paper manufacturing company: "Our biggest company problem will be to keep costs from increasing at a greater rate than can be recovered through our sales price."

Many answers stressed determination to cut costs wherever possible as a way of protecting already squeezed profit margins.

Control of inflation was linked to the cost problem by many of those replying.

Labor also appears to be casting a long shadow across the map of industry. Numerous executives cited the high cost of labor, the problems of negotiating new noninflationary wage agreements, and the need for increasing the efficiency and productivity of workers presently employed.

Other problems, in the order of their indicated importance, include shortages of competent managerial, sales and clerical personnel, domestic and foreign competition, getting a larger share of markets, government interference and controls, the impact of taxes on profits, and obtaining steel for manufacturing.

Problems related to the finding and developing of effective personnel were mentioned often. "Obtaining good salesmen will be our company's biggest problem in 1960," said the president of a life insurance company.

The president of a machine and foundry concern said his company's most important problem would be "the lack of sufficient experienced management and technical talent at the divisional-manager level to plan and execute expansion programs." The executive vice president of an

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"Your Share of Europe's
Markets," page 38

electronics company said acquisition of qualified engineering and research personnel would be his firm's biggest problem in the year ahead.

Problems of tight money were mentioned by fewer than 15 of the more than 300 businessmen who took part in the survey. Of those who did cite this problem, most are in the construction and home-building industries, or in industries related to construction.

Biggest problems as managers

A question asked: "What do you think your biggest personal problem

as a manager will be in the year ahead?"

One life insurance company head replied: "My biggest problem will be to keep 30 people producing. All want to be chief. None wants to be an Indian."

This comment, while saltier than most others, was expressed in other ways by many executives. For most, problems related to personnel are the most pressing they face. One striking feature to these comments is that executives now seem to feel an urgent need (more urgent than that indicated by past surveys) to obtain more efficient performances from their managerial and rank-and-file employees.

For many, the problem is made acute by rapid business growth. Industry needs men it can move ahead quickly to positions of greater responsibility.

The survey suggests that industry is not finding these people fast enough, a fact which is confirmed by other indicators, such as the stepped up activity of employment agencies and executive recruiting firms.

Overhauling of company organization was also mentioned often—still another symptom of business growth and change.

One railroad official commented that his biggest personal problems would be these: "Physical health, lack of sympathy with my industry's problems by Congress and regulatory bodies, and labor headaches."

A machine company vice president said: "Getting people qualified to think and then getting them to think."

Other, less frequently cited personal problems, include these: controlling costs and expenses; the need to boost sales; protecting profits and earning a better return on investment; making more productive use of own time, financing expansion and new product efforts, long-range planning, and the need for effecting greater economies down the line.

The survey drew responses from a cross section of business and industry, including companies in manufacturing, processing and mining; construction; transportation, communication and public utilities; finance, insurance and real estate; wholesale and retail trades, and a variety of service industries.

Respondents who gave their titles included seven board chairmen, 157 presidents, 65 vice presidents, 15 secretary-treasurers, three general managers and 36 other officers. **END**

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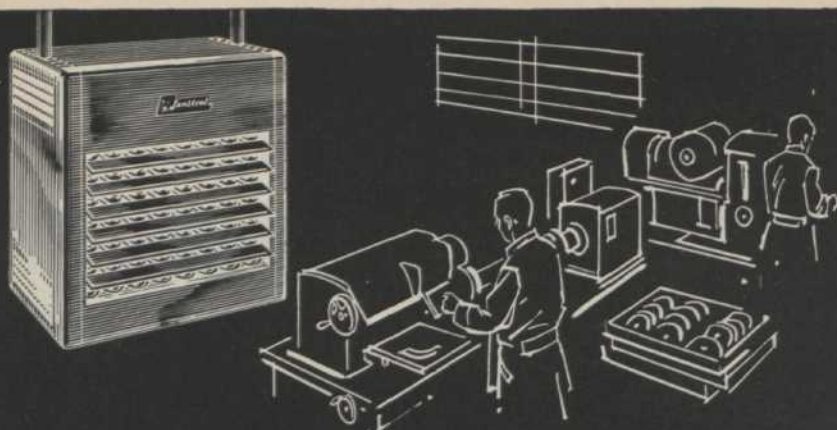
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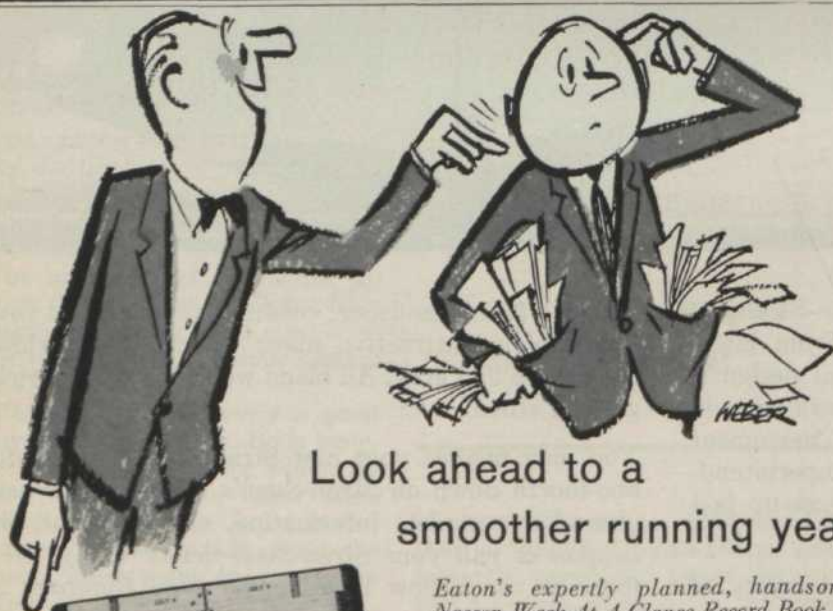
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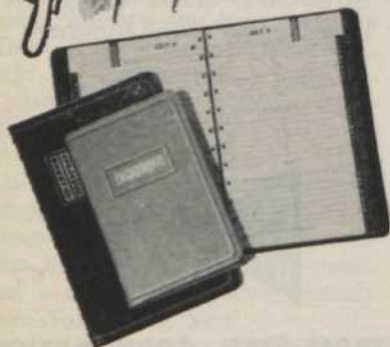
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NEW LABOR LAW

continued from page 41

cases then I would tend to issue a complaint where the new amendments are involved.

Many Taft-Hartley issues were not resolved for years after passage of that law. We will move expeditiously to clarify the new law in all respects so that—as soon as possible—the law can be administered in an even-handed way, and labor and management and individuals will know where they stand.

While Congress has vested the issuance of complaints in the office of the General Counsel, the judicial powers rest in the Board and the courts. In many cases that will come up, the broadest possible consideration of the key issues ought to be brought into play.

In these cases of key importance that require resolution of open questions, I think the advisable thing to do is to issue the complaint.

How do the new rules on secondary boycotts affect businessmen?

By plugging a loophole in the Taft-Hartley provision, the new measure protects you, as a neutral employer, against direct union pressure to force you not to do business with some other employer with whom the union may have a dispute. A union no longer may threaten, coerce or restrain you directly

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for that purpose. Nor may it induce individual employees to refuse to perform services for that object.

Previously, you had no legal protection against such direct pressure. A secondary boycott was illegal only when a union put pressure on you through the concerted action of your employees, such as by striking or refusing to handle goods made or transported by the employer against whom the union had a grievance.

What about the hot-cargo agreements?

They are a form of secondary boycott—where a union gets you to agree not to do business with someone else. While the term "hot cargo" is usually related to the transportation industry and relates to agreements not to handle struck goods, the term broadly covers the entire area in which you as an employer agree to certain conduct, the forcing of which upon you by a union would be an unfair labor practice on the part of the union.

Although the Supreme Court has ruled, under the Taft-Hartley Act, that such agreements were not enforceable by a union by strikes or picketing, it did not decide whether the agreements themselves were illegal and void.

The new law deals directly with this problem by making it an unfair labor practice for an employer and a union to enter into such agreements, and making it unenforceable and void.

What recourse will I have if a union insists on a hot-cargo agreement?

You can file an unfair labor practice charge at our regional office in your area. If, after investigation, the regional director agrees that the law has been violated, he will issue a complaint against the union and, at the same time, our office must seek a court injunction to restrain the union. Seeking an immediate injunction when we issue a complaint against a secondary boycott or an attempt to secure a hot-cargo agreement is mandatory under the Taft-Hartley law.

Suppose I am the other employer—let's say a struck or nonunion employer—with whom the union does not want the immediate employer to do business. What recourse do I have?

You have the same recourse that the immediate employer (who is known as the secondary employer) has. An employer who is the ultimate object of a secondary boycott

ARE YOU UNDER FEDERAL OR STATE LAWS?

These are the minimum standards which the National Labor Relations Board uses in determining whether it will apply federal laws in a dispute involving a business which is essentially local in character.

If your business meets or exceeds these minimum standards, the Taft-Hartley law and amendments to it in the Landrum-Griffin Act are applicable.

If your business falls below these minimum standards, then the laws of your state apply, rather than the federal laws.

1. NONRETAIL BUSINESS

\$50,000 annual business in direct and indirect outflow or direct and indirect inflow. (Direct outflow refers to goods shipped or services provided outside the state; indirect outflow refers to sales within the state to users who do at least \$50,000 in direct interstate business. Direct inflow refers to goods or services furnished your business directly from outside the state; indirect inflow refers to business which originated from outside the state but was obtained from a seller within the state. Direct and indirect outflow may be combined, and direct and indirect inflow may also be combined to meet the \$50,000 minimum requirement. However, outflow and inflow may not be combined.)

2. OFFICE BUILDINGS

Annual gross revenue of \$100,000, of which \$25,000 or more is derived from organizations which meet any of these tests.

3. RETAIL CONCERNS

\$500,000 annual gross volume of business.

4. INSTRUMENTALITIES, LINKS AND CHANNELS OF INTERSTATE COMMERCE

\$50,000 annual business from interstate (or linkage) part of enterprise, or from services for employers in commerce.

5. PUBLIC UTILITIES

\$250,000 annual gross volume, or meet No. 1 above.

6. TRANSIT SYSTEMS

\$250,000 annual gross volume. (For taxicabs, \$500,000.)

7. NEWSPAPERS AND COMMUNICATIONS SYSTEMS

\$100,000 gross volume for radio, television, telegraph and telephone. \$200,000 for newspapers.

8. DEFENSE CONTRACTORS

Substantial impact on national defense.

9. DISTRICT OF COLUMBIA

All businesses are subject to federal laws.

10. ASSOCIATIONS

An association is regarded as a single employer.

11. HOTELS AND MOTELS

\$500,000 annual gross revenue. (Residential hotels or motels—where at least 75 per cent of the guests stay a month or more—are excluded and not subject to federal laws regardless of revenue.)



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NEW LABOR LAW

continued

or a hot-cargo agreement can file an unfair labor practice charge with our office.

Aren't there some exceptions to the hot-cargo provision?

Yes, because of special circumstances exceptions to the rule against hot-cargo clauses have been made for the garment and construction industries.

In the garment industry, the usual method of doing business is for jobbers to contract the finishing of parts of garments. The relationship of the jobber and the contractor is so peculiar to this industry that Congress undoubtedly believed that special treatment was necessary to protect labor standards long established in the industry.

Do you mean then that the new law protects an agreement between a jobber and a union to give finishing work only to a contractor with union employees?

You can draw your own conclusions.

The law simply says that the prohibition against an employer and union entering into an agreement whereby the employer agrees not to do business with anyone else does not apply to the usual jobber-contractor relationship in the apparel or garment industry.

It is also clear that, in this industry, such an agreement is enforceable by a strike or picketing as well as valid.

This is not true in the construction industry.

What is the difference in the construction industry?

The new law exempts from the restrictions against hot-cargo clauses agreements between unions and construction contractors relating to the subcontracting of work at a construction site. But Congress seems to have intended a different treatment of that situation. Whereas, in the garment industry, such agreements are both valid and enforceable, in the construction industry they are valid but not enforceable by strikes or picketing.

Isn't there also a concession in the construction industry regarding union recognition?

Yes. Congress has said in this new law that it will not be an unfair labor practice for an employer engaged primarily in the building and construction industry and a

union to enter into a collective bargaining agreement even though the union may not represent a majority.

These are commonly called pre-hire agreements and apparently Congress decided to permit them because experience has proved it almost impossible to conduct representation elections in the construction industry and many contractors rely on building trades unions for their labor.

I might add, also, that a labor agreement in the construction industry may require a worker to join the union seven days after he is hired, instead of 30 days, which has been and still is the minimum waiting period in other industries.

What are the new rules on picketing?

Congress has made it an unfair

labor practice to picket an employer for recognition or for bargaining rights when: 1, the employer already is recognizing a union in accordance with the law; or 2, a representation election has been held within the past year.

If either of these two conditions does not exist, a union may picket for recognition or representation purposes, but may do so for only a reasonable period, not to exceed 30 days, without filing a petition for an election. The law does not expressly say who may file the petition, but it seems relatively clear that it may be filed by anyone eligible under the law to file—the union, the employer or an employee.

Is some priority given to such petitions?

Yes. When a petition for an elec-

tion is filed under these circumstances, Congress has directed that the Labor Board conduct an election at once without regard to the usual conditions to an election—for example, whether the union can show that it represents a substantial number of employees. Usually, a union has to show that it represents at least 30 per cent of the employees before we will conduct an election.

Would this provision prevent so-called blackmail picketing?

Yes, in my view, it will take care of the situation where employees are not interested in a union, where the union does not bother to interest employees in joining the union by other means, and where the union resorts instead to use of the picket line as an organizing weapon.

It would protect you also against

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The advertising medium that tells people where to find your local outlets!

NEW LABOR LAW

continued

being forced to recognize a union without the wishes of your employees first being determined.

What about publicity picketing?

We have this proviso in the restrictions on recognition and organizational picketing in the situations where the employer is not lawfully recognizing another union and where an election has not been held within the preceding 12 months:

There is no prohibition against picketing or other publicity intended to advise the public, including consumers, that an employer does

not employ members of, or have a contract with, a union.

However—and there is this final proviso—this informational picketing must not have the effect of inducing any employee of another employer not to pick up, deliver or transport any goods or not to perform any services.

What is the change with respect to economic strikers?

The change is this: Employees engaged in an economic strike who are not entitled to reinstatement will be eligible to vote in any union representation election involving their job that is held within 12 months after the strike began. In the past, economic strikers who

were not entitled to reinstatement were not eligible to vote. I should note that, while voting is permitted in an election conducted within 12 months, the Board may in the particular case decide whether the voting by such strikers would be consistent with the purposes of the law.

What is an economic strike?

Any strike that is not caused by an unfair labor practice by the employer. It is usually a strike with respect to wages and other working conditions.

When is an economic striker not entitled to reinstatement?

In general, when he has been permanently replaced in his job.

How does the new law help me if my business has such a small impact on interstate commerce that the National Labor Relations Board has declined to make its services available?

In that case you used to fall into a no-man's land. The Board would not assert its jurisdiction over you, your union or your employees because it could not become involved in every situation and has to draw a line on how far it would go with respect to small businesses. At the same time, the courts have held that you could not get relief under state laws, either, because you came under federal jurisdiction.

Under the Landrum-Griffin amendments, there no longer is this lawless area. The states may fill the void by applying their own laws.

Could you tell us about these state laws?

Some states have agencies which administer laws similar to the Taft-Hartley or the earlier Wagner Act. They conduct union representation elections and, in some instances, act to prevent unfair labor practices.

Other states may not have a comprehensive labor law and an agency to administer it, but it is surprising how many have laws that deal in one way or another with strikes, picketing and other labor matters. (For a list of these laws, see "States Move on Union Abuses," NATION'S BUSINESS, August 1959.)

In addition, there are laws against violence and certain common law principles which, in the absence of a statute, the state courts can enforce in connection with a labor situation.

The kind of protection that is available to a small businessman depends on the state in which he

watch for...

WHAT BUSINESS FACES IN THE "SIXTIES"

The new decade will bring problems as well as opportunities to your company. Both are described in this report

DR. PARKINSON'S SECOND LAW

The man who discovered that "work expands to fill the time allotted for its completion" reveals a fine new truth

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...and many other articles you will find timely, useful, important

...in next month's **Nation's Business**

does business, because laws differ from state to state.

Will this likely stimulate passage of more state labor laws?

That is not for me to say. We who administer the federal law should hold ourselves out at all times to be fully cooperative with all state agencies to make sure that the new provisions with respect to federal-state jurisdiction operate as efficiently and free from conflict or confusion as possible. This is our duty.

But equally, whether or not a state adjusts or amends its laws by reason of the congressional clarification in this area, is a matter that only a state can decide for itself without recommendations from anyone else.

How can I know whether I have recourse to the federal or state laws?

The National Labor Relations Board on last Aug. 1 first announced the standards it would apply in determining whether it would assert its jurisdiction over a particular business. For the most part, the dividing line is based on what type of business you are in and the amount of business you do. (See table on page 75.)

Where you do as much business as is indicated by the Board's jurisdictional standards, you will be subject to the federal Board's jurisdiction. Where you do less, you will be subject to state handling.

If you are a party to a case before a state court or agency, you may get a written opinion from the Board on whether you come under federal jurisdiction. These requests must be filed with the executive secretary of the Board in Washington, and must contain certain information required by the Board's rules. A copy of the rules may be obtained from any NLRB office.

If it desires, the federal Board may assume jurisdiction over more small businesses, but it may not relinquish any of the jurisdiction it now exercises. This means that if you are now under federal jurisdiction, you will remain so; but if you are under state jurisdiction, there always is a chance that the federal Board may extend its jurisdiction to include your business. END

REPRINTS of "How to Use the New Labor Law" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.

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COMMENTS

From the Aberdeen, S. D., Chamber of Commerce:
"Never before have we seen such enthusiasm as has come from this Course."

From Westinghouse Air Brake Co., Wilmerding, Penn.:
"Send us six Leader's Manuals and 250 sets of pamphlets."

From the Springfield, Mo., Chamber of Commerce:
"We have completed four groups. All of our board members participated in the first group. In addition, the League of Women Voters is sponsoring three groups; 24 doctors are participating in another group; a minister is acting as a discussion leader for three groups composed of 56 of his parishioners; and the JAYCEES are sponsoring a group."

From the Worcester, Mass., Chamber of Commerce:
"We expected we would start with 60 enrollees. We now have 120—and 93 more applicants."

From Drexel Sprecher, Deputy Chairman, Democratic National Committee:
"The workmanship which has gone into these instruction materials is of top quality."

From Albert Hermann, Executive Director, Republican National Committee:
"The Action Course in Practical Politics is the best thing of its kind I have ever seen. It should be very effective in getting businessmen active in politics, if they will use it."

From Koppers Company, Pittsburgh, Penn.:
"641 of our employees have completed the Course."

From Boeing Airplane Co., Wichita, Kan.:
"Please send Leader's Manual and 71 sets of the pamphlets."

From the Seattle, Wash., Chamber of Commerce:
"One of the most positive and comprehensive activities we have ever undertaken."

From Motorola, Inc., Chicago, Ill.:
"Send two Discussion Leader's Manuals and 202 sets of the pamphlets."

From the Minneapolis, Minn., Chamber of Commerce:
"Ten groups have completed the Course, six more are under way. Twenty of the people who completed the Course—with no previous experience in politics—have now become block workers, and were active in the city elections recently. Six already hold offices in the political party of their choice. Nine have indicated plans to participate in fund-raising campaigns for their party. Thirty others have expressed a desire to work in precinct or congressional-district activities of their party."

From Rand-McNally & Company, Chicago, Ill.:
"Extremely well conceived and presented. Participants extremely enthusiastic about the Course."

From Chase-Manhattan Bank, New York, N. Y.:
"The Chase-Manhattan Bank has sent the Discussion Leader's Manual and a set of the pamphlets to 170 key banks in all parts of the country."

From the Marinette, Wisc., Chamber of Commerce:
"Six participants in the Course elected delegates to their party's State Convention. Three participants have been elected to their party's County Executive Committee."

HOW TO BE MORE USEFUL AND MORE INFLUENTIAL IN POLITICS . . .

Under our form of government, the laws of the land spring from the people. The laws are enacted by elected representatives. Thus the whole process of lawmaking is linked up with politics. This is an American reality—all the way from the city council to Congress.

This means, of course, that if we are to have sensible and mature laws on the books, then we must, first of all, put men of integrity and ability in the national, state and local lawmaking bodies.

In a word, it means that businessmen must be politically active. You and the other businessmen in your community have the responsibility, as well as the opportunity, to help select, nominate and elect qualified candidates to public office.

To train, equip and encourage businessmen to be more useful and more influential in politics, in the public interest, the National Chamber has developed an ACTION COURSE IN PRACTICAL POLITICS. The key work here is practical.

You will enjoy this Course. It will show you how to work in the political party of your choice, and to make your efforts count. It is non-partisan. It contains information about everyday politics never before brought together in one place, and in such usable form. It is down-to-earth, forthright, streamlined. It is stimulating and instructive.

This Course is planned for groups of 12 to 20 persons. It consists of nine two-hour workshops—to be held once a week—and to be conducted by a business firm, service club, chamber of commerce, or other public-spirited organization.

The National Chamber makes available all the necessary work materials for this Course. These materials were planned and prepared with the help and advice of men who make politics their career, and who know politics from the inside out. The materials include:

PAMPHLETS—Eight booklets on such subjects as Political Party Organization, the Political Precinct, Political Clubs, Political Meetings, and the Political Leader's Problems.

CASE PROBLEMS—Brief, to-the-point descriptions of actual polit-

ical problems existing in local communities. These case problems are used in the Course to show the participants how to analyze situations, to work out sound solutions, to plan effective campaigns—and to win elections.

DISCUSSION LEADER'S MANUAL—A comprehensive guide which shows the discussion leader how to organize and conduct the workshops, and how to keep the discussions lively, meaningful and productive.

The workshops are all discussion sessions; there are no lectures. Each workshop is devoted to one important aspect of politics covered in one of the pamphlets. The participants read the pamphlet in advance—together with the related case problems—and come to the meeting prepared to speak up and to take full part in the discussion.

You are invited—urged, in fact—to launch an **ACTION COURSE IN PRACTICAL POLITICS** in your community—in your firm, or in your organization.

Use the order form below to order the work materials. If you are not fully satisfied with the materials after you look them over, your money will be refunded.

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WASHINGTON 6, D. C.

CHAMBER OF COMMERCE OF THE UNITED STATES
1615 H Street, N. W., Washington 6, D. C. _____, 1959

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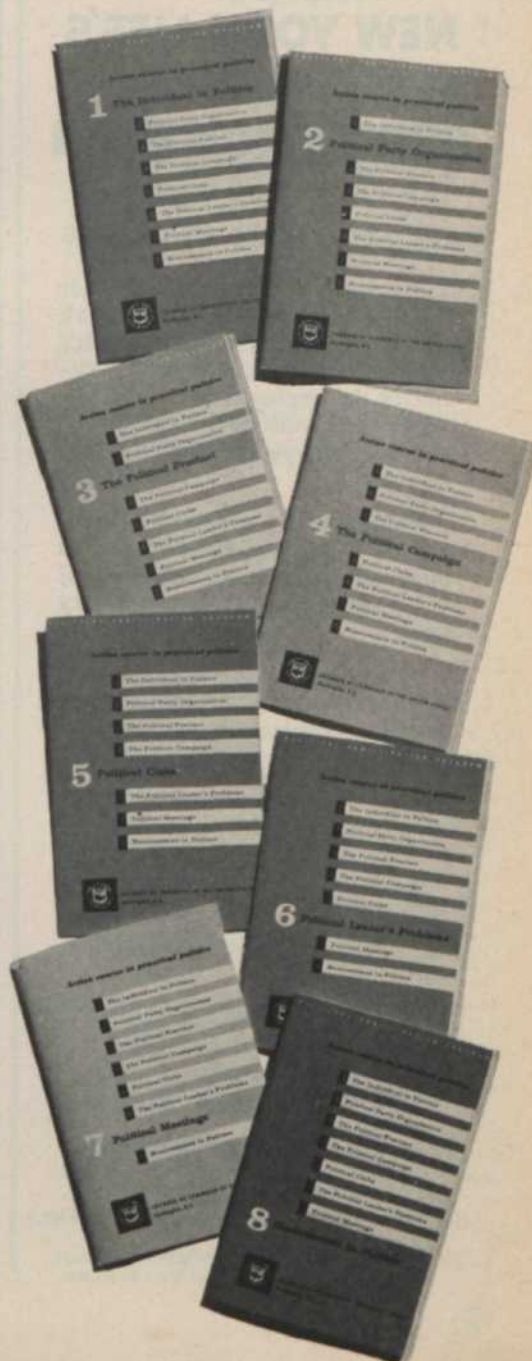
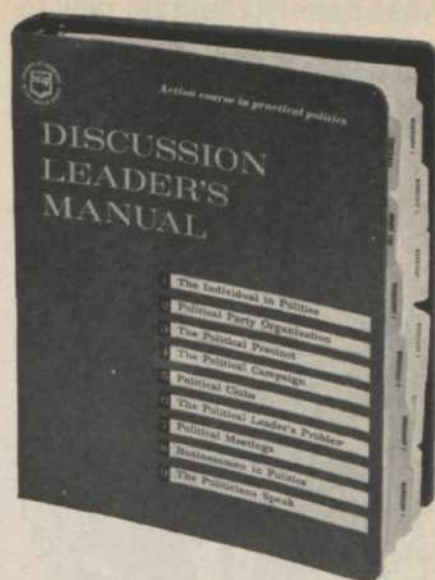
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
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Executive Trends

Coming: more sophisticated tools for business

Some business authorities are predicting a revolution in management in the 1960's as a result of the application of advanced new methods.

One of these tools is statistical sampling, a method designed to strengthen quality control and performance review. Another is the task force concept (a method of teamwork pioneered by the services and by government contractors in the scientific and technical fields). Still another is the use by top management of highly refined new data recording and analyzing equipment that will speed decision-making.

Louis A. Allen, management consultant, says the increasing use of the new data recording and analyzing equipment will reverse the present trend toward "extreme decentralization" by concentrating data collection and interpretation in a few large automatic brains and thus eliminating the need for many supervisory levels.

► The best solution, Mr. Allen says, is to provide centralized automated equipment to feed digested information to a small group of highly skilled managers. They should make decisions restricted to company-wide objectives, policies, programs, budgets and controls. All other decisions should be vigorously decentralized to the lowest possible organizational levels. Lower-level managers of the future will rely less on hunch, Mr. Allen says, and will follow company-wide strategies developed with the aid of operations research, value analysis, data-loggers, and other new techniques.

What Russia's managers are reading

Your counterpart in Soviet industry is more likely to read a technical treatise on economics than an article dealing with problems of personnel relations and general administration.

That's what NATION'S BUSINESS was informed when it inquired through the Soviet Embassy in Washington as to the reading habits of Russian industrial managers. An Embassy spokesman, after checking with Moscow, said there are virtually no journals in his country which deal with management from the human relations and how-to approach so popular in the United States.

Russia's managers read, instead, about such things as "the electrification of the national economy," "improvements in systems of wage payments," "problems of accounting of non-working time" and "contemporary bourgeois and reformist theories of inflation."

► The subjects mentioned are covered in a recent issue of "Problems of

Economics" (Voprosy Ekonomiki), a monthly journal published in Moscow and read by economists, economic planners and industrial managers throughout the Soviet Union. NATION'S BUSINESS obtained a sample copy of the journal from the Soviet Embassy. "Problems of Economics" is available in English translation from the International Arts and Sciences Press in New York at a single-copy price of \$4.50. (One year subscription rate is \$50.)

How much does business owe society?

Emphasis on the social responsibility of business is showing up with increasing frequency in the public statements of America's top corporate managers.

Why? One reason is the growing belief of some managements that they are living in a glass house and that their actions are being reviewed critically by a host of outsiders—employees, customers, shareholders, government. Much more so now than in the past, business feels accountable to the public. Wider stock ownership and the decline of owner-management explain this attitude, at least in part.

In a recent address to college students, William C. Newberg, executive vice president of the Chrysler Corporation, explained the social responsibility phenomenon this way: "When we speak of 'private' business we are using a term that is far from accurate. The private business manager is responsible to the public in a direct and immediate way. And if his work does not pass muster with the public, he cannot continue to operate profitably."

► There are some businessmen and students of business who disagree when they hear it said that business has social responsibilities transcending the responsibility of making a profit and maintaining growth. It is not our purpose to resolve such differences of opinion, but only to report that they exist. (Mr. Newberg, by the way, told his college audience that there is no shortage today of people who would like to succeed as managers, but there is a shortage of people who have "the desire as well as the ability to learn, the driving ambition to succeed, the willingness to work and work hard.")

Here's a tip on long-range planning

Company management should use long-range forecasts which reflect cyclical trends in planning company growth over a period of years, instead of the more common "straight-line" economic projections.

That's the opinion of Frank P. Minelli, director of planning for the Yale & Towne Manufacturing Company. Mr. Minelli's remarks, made before a recent conference of the Controllers' Institute of America, will be of particular interest to top company men currently concerned with planning for the 1960's.

It is Mr. Minelli's thesis that straight-line projections do not conform to the curves, peaks and valleys of economic conditions which "often recur in regular cycles" and that they are "only current at the two points where the cycle crosses the straight line on the ascendancy and, some years later, on the decline."

► Mr. Minelli says that accurate cyclical forecasts make it possible for management to take corporate action at the most advantageous point in the cycle.

Inventory retrenchment, introduction of new products, and plant acquisition and expansion were among the examples he gave of corporate actions which should be initiated at certain specific points in the cycle.

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WRITTEN POLICIES HELP 9 WAYS

Experience of companies large and small
points up advantages of firm guidelines

YOU CAN IMPROVE management efficiency by putting your company's policies on paper.

That's the testimony of scores of firms, ranging from giants such as Sears, Roebuck & Co. to up-and-coming smaller organizations like the Milton Roy Company of Philadelphia, makers of controlled volume pumps. Both companies cited have achieved excellent results with carefully written policy and procedure manuals.

There was a time, in the recent past, when many forward-looking managers feared that written policies would lead to rigidity in administration, curb creative thinking, and interfere with executive development by preventing experimentation at lower echelons.

Now the trend in well managed firms is unmistakably toward more specific and authoritative policy guidance from the top.

Management consultants Booz, Allen & Hamilton recently polled 337 firms to determine their current attitude on policy. They found that "the majority . . . have stated policies in all major functional fields, and find them extremely valuable in the conduct of their business."

Although many companies still do not commit all their policies to writing, the survey showed, "the tendency to do so is increasing." The largest organizations have written policies governing about half of their operations. The extent of policy coverage tends to decline with company size, but even among smaller companies Booz, Allen & Hamilton noted "an active effort to develop more formal policy patterns."

The experience of companies large and small points up nine good reasons for spelling out policy in authoritative, written form. The reasons are:

1. Written policies promote deep delegation of authority.

This fact, to which many companies bear witness, directly contradicts the notion that a rule book will paralyze initiative in lower echelons. The truth is that real delegation is more likely when an executive is reasonably assured that his subordinates will act in a given situation as he would act himself. Clearly de-

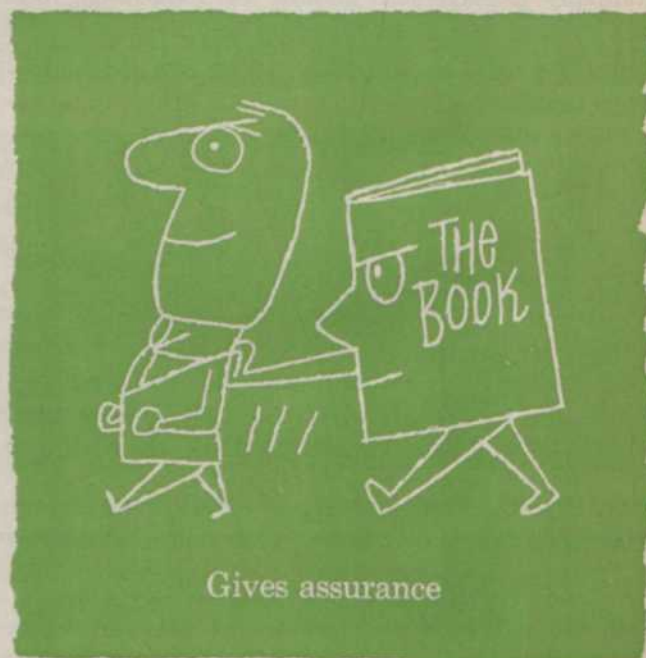
fined and well communicated policies help to give him this assurance.

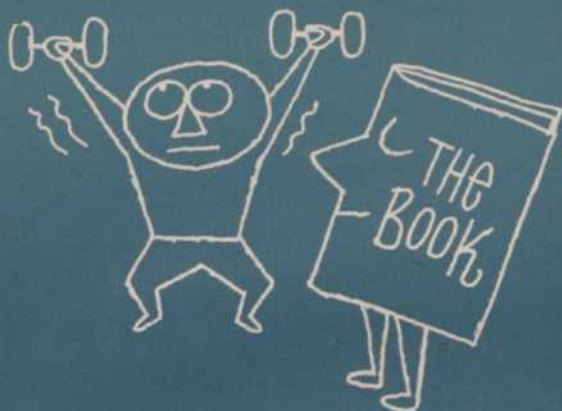
Subordinates are more willing to take responsibility for operating decisions when they know they can cite an accepted company policy as justification for their action.

2. Written policies promote management by exception.

This is listed by H. J. Phillips, Jr., vice president for administration planning of U. S. Steel Corp., as one of the principal advantages of a policy manual. Specifying in advance how frequently recurring problems are to be handled frees the overworked senior executives from many repetitive, time-consuming decisions.

A corollary benefit, noted by C. E. Ware, Jr., supervisor of organization planning of Allegheny Ludlum Corp., is that internal communication channels are





Promotes training

cleared of a vast amount of inquiry-and-response correspondence relating to routine decisions.

This means that, when an exceptional problem does arise—the kind that really warrants a fresh management decision—the organization is geared to transmit it speedily to the top and back. Upper-echelon executives have time to give it the thoughtful consideration it deserves.

3. Written policies promote consistency.

This consideration looms large with big outfits, such as Standard Oil of California, which place high value on policy manuals. But it is pertinent to smaller organizations, too. The modern corporation is a person not only in the eyes of the law, but in certain respects also in the eyes of its employees, customers and suppliers. That is to say, people expect a company's left hand to know what its right is doing. Personnel policies that vary widely from one unit to another are extremely damaging to employee relations.

Inconsistency in the treatment of customers and suppliers, either between one branch of the company and another, or from one time to another, can be bad for business. The uniformity of administration which flows from formal, company-wide policies is the best insurance against these dangers.

4. Written policies promote continuity.

As one management researcher put it, written policies are a "means of transmitting the company's heritage" from one generation of executives to another. The accumulated wisdom that a senior executive carries in his head is lost when he leaves the company. But if past experience and judgment are distilled into policy, and captured on paper, successors can avoid some of the pitfalls and blind alleys which have already been adequately explored.

5. Written policies promote planning.

"One of the major benefits we have found through the publication of our policy and procedure manuals," says Robert T. Sheen, president of the Milton Roy Company, "is the fact that the actual process of

writing down policies helps to clarify management thinking." The top executives responsible for drafting a policy manual are made aware of gaps, contradictions and fuzziness in existing policies which may have seemed quite adequate so long as no one had to explain them in writing.

Since the value of a policy manual depends on the extent to which it anticipates problems, the managers who compose it must think ahead. Thus, policy formulation becomes a stimulus to long-range planning.

6. Written policies promote teamwork.

There is no better vehicle for creating and maintaining an institutional viewpoint at all levels of an organization. A well prepared policy manual enables lower-echelon managers and specialists to see the over-all picture as the chief executive sees it—the company's goals, the basic principles that underlie its specific policies. They can see how their particular responsibilities dovetail into a bigger plan.

7. Written policies promote understanding.

As Charles E. Redfield points out in his classic text on "Communication in Management": "The written word is not distortion-proof, but it suffers less from distortion than does its oral counterpart." Any executive who has witnessed the remarkable transformation that a simple fact can undergo in passing along the company grapevine must shudder at the thought of what happens to a carefully calculated policy by the time it has been handed down through several echelons by word-of-mouth.

8. Written policies promote training.

There has been a growing realization in the past few years that generalized training in management skills, while essential, is by no means the end-all and be-all of executive development programs. In a practical business context, you need to develop managers who know how your company does things. A policy manual can be an invaluable aid to the orientation of young or newly hired managers. If conscientiously studied, it can be as effective as months or years of



Eliminates grapevine

coaching in preparing a man to function smoothly as a member of a closely meshed organization.

9. Written policies promote good human relations.

Attitude surveys show that people work better when they know what is expected of them. They feel more secure because the ground rules are right there in black and white. Buck-passing in both directions is minimized, because neither superior nor subordinate can claim—as both often do when a verbal instruction boomerangs—that management wishes were misunderstood.

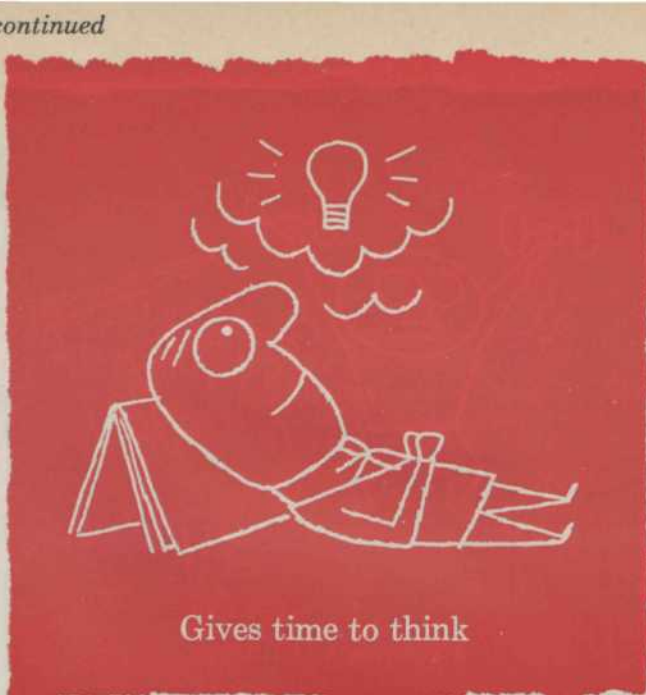
A policy manual gives a superior a ready-made answer to the alibi "I didn't know." It gives a subordinate protection against a capricious boss who may be inclined to attribute his own unreasonable whims to company policy.

So much for the dividends. What are the arguments against putting your company's policies in writing? Four principal objections are raised. None of them, however, is insurmountable.

The first is that certain policies are best kept confidential. If announced to the world in an official company manual, they could cause trouble with organized labor, competitors or the government. No realistic executive would deny the force of this argument. But it need not be controlling. Confidential policies comprise a relatively small proportion of the total policy picture. They can be omitted from the regular manual and promulgated either verbally or in a written supplement of carefully restricted circulation.

There is one important warning: Never include in your official manual any statement of policy which is essentially contradicted by an actual policy that is kept in confidence. Ignore the whole subject in the manual if you feel you must, but do not say one thing publicly when you privately mean another.

This kind of duplicity is invariably detected sooner or later by subordinates, who thereupon begin to regard the entire policy manual as undependable eye-wash. A policy manual can be silent even on an



important subject without destroying confidence in its over-all authority. It cannot be hypocritical.

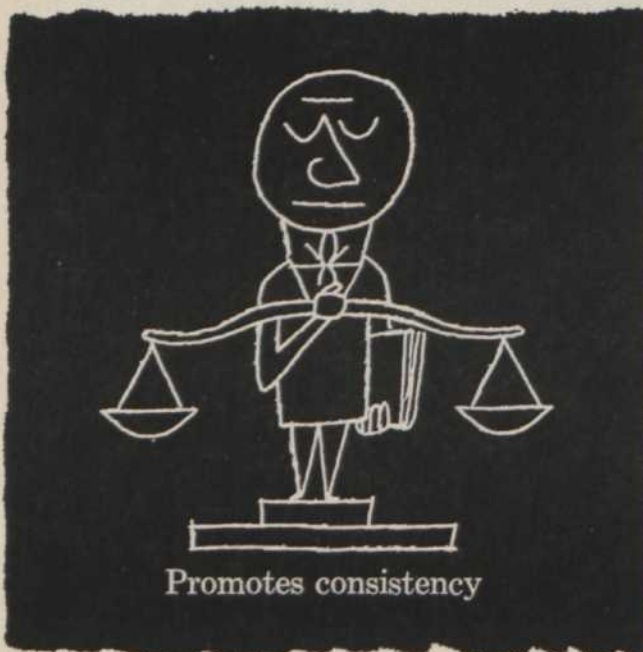
A second objection, often raised by smaller organizations, is that policy manuals cost too much to produce. "We can't afford to get out one of those fancy books," argued the president of one small but growing company. "It's easier and cheaper for us to lay down our policies in letters and memoranda."

It's easier, all right—but is it really cheaper? Careful cost-accounting studies show that it costs the average organization at least \$1 to produce a letter or memorandum. Multiply that unit cost by the vast number of individual questions and answers that must flow through the correspondence system when there are no clear-cut policies for handling routine problems, and you quickly exceed the cost of a simple manual.

A good policy manual doesn't need to be fancy. The most efficient type is an inexpensive loose-leaf notebook. Policy statements, classified and indexed by subject, can be printed or mimeographed (depending on the number of copies required) on separate pages so that revisions can be made easily by substituting an entire page or section.

What about the executive time that goes into writing out the policy statements? There is no denying that it involves a lot of work—work that must be done at the highest management level and carefully reviewed by the chief executive himself. But this expenditure of time is justifiable on two grounds: The first is that top management has no function more clearly its own, nor more urgent, than policy formulation. The second is that the time spent in preparing a clear policy pronouncement will be made up many times over by the executive man-hours saved in eliminating repetitive, routine decisions.

A third objection is that written policies tend to remain on the books long after they are obsolete. This is a real pitfall. Unless you are willing to take the trouble to avoid it, you'd better not undertake to



publish a policy manual. Even the wisest policies can become outdated quickly in today's business world. If your manual is going to be an effective management tool, and if it is to have the unquestioning respect that is essential to its role, it must be frequently reviewed and revised.

Although each senior manager should be held responsible for keeping an eye on the general state of policy in his particular area, it is usually advisable to have one person or department assigned to the task of keeping the manual itself up to date.

Every time a letter or telegram goes out that has the effect of changing policy, a formal revision of the manual should quickly follow. Otherwise, lower echelons will fall into the bad habit of relying on informal sources—including word-of-mouth—to justify departures from the policies spelled out in the manual.

The fourth argument is that written policies may reduce management flexibility and become a strait jacket for the organization.

This criticism can validly be directed only at poorly conceived manuals that attempt to spell out all of the rules in great detail. A good manual, as such companies as Sears and International Harvester have demonstrated, can actually encourage flexibility by carefully delineating the areas where the company's mind is made up, and those in which it welcomes the exercise of managerial discretion.

It is quite easy to make clear in the wording whether a given set of instructions is mandatory or just advisory. When you say that something "shall," "will" or "must" be done under certain circumstances, you are laying down the law and are entitled to demand strict compliance. But you can use other words to convey the idea that here is an area where subordinates are free to use their own judgment if circumstances seem to make company policy inappropriate.

Such words and phrases as "may," "generally recommended," "in most cases" and so on have a clearly permissive flavor.

Although policies and procedures are often in-

cluded in the same manual, it is a good idea to distinguish between them in the format. Mixing them up may give a false impression of rigidity, since many companies are far more dogmatic about procedures (i. e., the form to be used, the office to be notified, etc.) than about substantive policies.

State your policies in broad, clear language, explaining the rationale behind them and marking off the boundaries within which individual discretion may be exercised. Then, on a separate page, you can



Promotes teamwork



Prevents misunderstanding

go into the details of procedures. This will help to keep subordinate managers from feeling hemmed in by enormously detailed instructions that have more to do with paper work than policy. It will avoid the impression that "the company has changed its policy" when it has really only changed the number or mailing date of a clerical form.

When all of the pros and cons are weighed, it is easy to see why more and more companies are getting their policies on paper. The Booz, Allen & Hamilton survey, summing up the views of scores of executives who have tried it, puts the case for written policy in these words:

"It builds on proved decisions of the past, conserving executive energy for new decisions; it creates an atmosphere in which individual actions may be taken with confidence; it speeds administration by reducing repetition to routine; it supports consistency of endeavor across a large group through the years. It stabilizes the enterprise. It frees top management so that more creative consideration can be given to the problems of today and the new programs for tomorrow."—LOUIS CASSELS & RAYMOND L. RANDALL

REPRINTS of "Written Policies Help Nine Ways" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.

EUROPE'S MARKETS

continued from page 38

worker, or any other Common Market employe, will be able to take a job anywhere in the Community without restriction, retaining his social security rights.

Obstacles to the movement of capital held by residents of the six nations will be progressively removed during the transition period, and freedom ensured to supply services throughout the Community, such as insurance, banking and distribution, as well as the right of establishment.

The agreement also stipulates that common rules shall be applied to discourage cartels and ensure fair competition and common policies for transport, trade agreements and agriculture. Special agencies and

funds have been set up for resettlement, vocational retraining and the productive re-employment of workers who may have to move or change jobs, and for overseas development. A European Development Bank, with \$1 billion capital to help finance general Community activities, also has been established.

It now appears unlikely that the normal transition period will be extended. On the contrary, pressures building up from firms already reorganizing for the enlarged market suggest that the integrating process may be much more rapid than originally foreseen when the treaty was signed in Rome on March 25, 1957.

The underlying purpose of the six founding nations when they signed the treaty was not simply to establish a large common market. It was to build in Western Europe a vast economic unit with really creative

drive that would "Americanize" Western Europe's economy.

The removal of trade barriers and the adoption of joint commercial policies, as a recent Commission report states, "are only means to an end, and this end is the establishment of a dynamic whole capable of rapidly increasing the economic potential of Europe and the level of its social well-being, of placing Europe once more in a position to exert its full influence, of allowing it to be once again one of the pillars supporting the free world, one of the essential elements supplying aid to states in the course of development."

Significant political as well as economic goals are evident here.

Capitalizing on the Common Market

What does all this mean to the business leader in Red Oak or Santa Monica? It means a good deal, of course, to every well informed man because it represents a turning point in history.

In terms of dollars and cents, it offers a unique opportunity to American business: U. S. mass production and distribution skills and management methods, together with our knowledge of high-volume, low-margin retailing, are a natural for a large unified market and are being eagerly sought abroad. As European companies learn to apply these techniques, they will become more formidable competitors than ever, not only in world markets, but in the American market as well.

As a consequence, businessmen who never before have thought of setting up an operating base in Europe are now seriously considering it.

Many an American firm is faced with the dilemma that it is more and more difficult to make its products here and compete in world markets; and, in many cases, in our own domestic market. An alternative is to build a plant, or acquire an affiliation abroad, and develop a worldwide business from a foreign base.

Other companies have turned to Europe for the manufacture of sub-assemblies and components. A firm in Saginaw, Mich., and a small tool manufacturer in southern California, for example, have both found that they can import precision micrometers at less expense than they can be made here.

An increasing amount of the thousands of products that fill the counters of drug, variety, department and hardware stores are being im-

How to tell if Common Market can help you

Let's assume you've decided to look into this Common Market business to see what it may hold for you. How do you go about it?

The first thing, if you are a newcomer to foreign trade, is to get all the advice you can. Doing business abroad, like any new venture at home, calls for careful analysis, with the added complication of unfamiliar and often confusing factors. There are pitfalls as well as opportunities abroad.

A good place to start is with the government agency set up to promote international trade: the Department of Commerce's Bureau of Foreign Commerce. Contact the Department's field office nearest you—there are 33 throughout the country—or headquarters in Washington.

Perhaps your own chamber of commerce is one of the 700 or more designated by the Bureau of Foreign Commerce as a "co-operative office." Many of the larger chambers have their own excellent foreign trade departments; while a "Foreign Commerce Handbook" and much other useful material is available from national headquarters in Washington.

Embassies and foreign chambers of commerce in the United States are an additional source of information; as are trade associations in the foreign field, foreign departments of many banks, and the like.

There are technical services specializing in the Common Market, whose representatives are long-time residents abroad, with continental background and training, speaking fluently the local languages and thoroughly familiar with European business methods. They can conserve your time by setting up meetings for you with the key people in companies you want to visit; and by following up after you return.

ported, edging American products off the shelves.

In a recent award of a Tennessee Valley Authority hydraulic turbine contract, the winning American company conceded that its low bid was based upon the procurement of a substantial amount of material and labor in Europe instead of the usual sources in this country. Since an item is considered American and can qualify for the differentials under the Buy American Act if at least 50 per cent of the cost is in this country, the turbine company carefully tailored its bid to this factor.

Many firms have discovered that prototypes, as well as tooling, can be designed and made in Europe to American specifications at substantially lower costs and with shorter delivery dates.

One New England company has found that it works out to one third of comparable U. S. costs, even after adding transportation and other expenses.

A plant or suitable affiliation overseas also outflanks Community trade barriers and lets a firm in on the ground floor of the expanding Common Market. Several hundred American concerns already have European subsidiaries, joint enterprises, or licensing agreements, and many hundreds more will find it to their advantage to get inside.

The book value of U. S. direct investments in the Community has more than tripled in the past decade and now stands at well over \$2 billion.

In terms of consumer durables, the European Community is still an unsaturated market, comparable to the United States in the early 1920's. Television sales by 1956, to cite one item, were 1.8 million units, compared to 42 million in America. In France a survey of wage-earners a few years ago disclosed that only nine per cent had refrigerators and 10 per cent washing machines.

Popular pressure for the numerous things that are commonplace in America can be counted on for many years to come. While the total of goods produced in the European Community in 1957 was only one third that of the United States, their production has been growing at an annual compound rate of 4.5 per cent, against our own growth of 3.8 per cent.

Firms that are not in a position, or do not want, to export some of their capital resources to another country turn to licensing arrangements. License agreements, exporting know-how, avoid transportation

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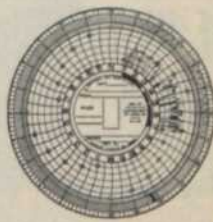


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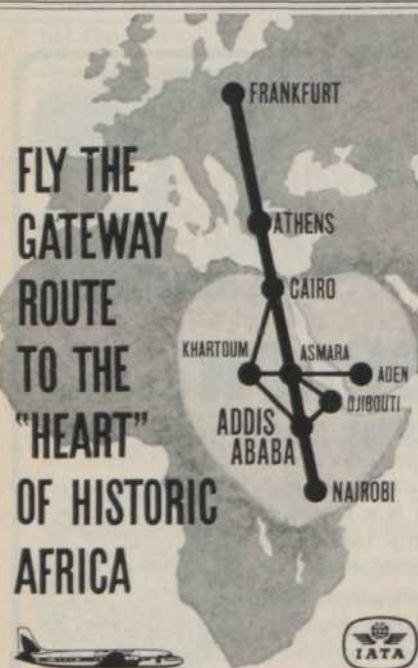
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EUROPE'S MARKETS

continued

and currency problems and involve less capital risk, while fees offset reductions in export earnings.

Tapping technical resources

In the technological field, too, Europe has much to offer. A prominent American firm, announcing its recent creation of a research subsidiary in Italy, stated: "There is in Italy a reservoir of highly talented scientific manpower ranging from her world-famous professors to well trained engineers and scientists.

"Their scientific knowledge and technological capabilities can be used in many areas of applied scientific endeavor."

Some companies maintain their own technical representatives in Europe to cover professional and scientific meetings, to keep in touch with research and engineering centers and advise on the latest technical developments while they're still in progress.

Others have found effective ways to pool their efforts, at less expense. However, for a country that is currently spending \$10 billion a year on research and development, America is not yet adequately tapping this technological reservoir abroad.

Lower labor costs are, of course, a pivotal factor in Europe's competitive advantage. How much lower are they?

A lot of hokum has been written on this subject. Published figures often show only direct hourly rates, which are of little value in themselves. In countries with so many religious feast days and other legal holidays, payments for days not worked can amount to 15 per cent of gross wages. Social charges of all kinds may add 70 per cent or more of gross.

The table which follows shows the actual gross wages including social charges paid by a prominent company with plants in four of the Common Market countries. Wages are shown in dollars, converted from the local currency at the going rate of exchange.

These figures include incentive wages in Germany of about 25 per cent, and 18 per cent in France. The Italian plant is in the south of Italy.

Social charges, expressed as a percentage of gross, include not only compulsory contributions, but also certain voluntary expenses incurred by the company, such as a cafeteria

and medical services. Thus, while French compulsory social charges are 47 per cent, the percentage shown here is 64 per cent. Naturally, some of these factors would not apply to another firm in other circumstances or other lines of business.

COMPARATIVE ACTUAL GROSS HOURLY WAGE RATES

	Belgium	France	Germany	Italy
Skilled labor	\$0.68	\$0.64	\$0.58	\$0.32
Unskilled labor	0.50	0.43	0.46	0.28
Packing girls	0.38	0.41	0.40	0.22
Social charges	25%	64%	38%	77%

As to productivity, this particular company has found very little difference between the four nationalities. Labor costs in Holland fall between those of Germany and Italy.

The progressive application of the Common Market treaty will tend to harmonize social policies, overtime payments and other differentials between the countries. We may thus expect the difference in gross wage rates shown in the table to narrow progressively in the years ahead.

There are many factors to consider besides comparative labor costs, of course, when deciding what country in the Common Market offers the most advantages for locating a branch plant or subsidiary. Fuel and power, transportation, available sites and materials, tax structure, government incentives, and regulations are among those which must be examined.

At this point it is best to seek professional advice. There are pitfalls as well as advantages abroad. The Bureau of Foreign Commerce, Department of Commerce, Washington 25, D. C., or one of its field offices, is a good place to begin your checking.

The Department has no private ax to grind. It can give you leads to recognized specialists with continental background and training.

Some of the elements of risk that loom large in an unfamiliar field recede as one gains a better understanding of the European Community's business climate. New possibilities appear.

For alert and aggressive firms, the Common Market may well represent one of their best opportunities for decades to come.

—J. PARKER VAN ZANDT

THE TRUTH ABOUT TRADE WITH RUSSIA

Will the business we do with the communists
rise significantly? Here's what to expect

U. S. TRADE with Russia is expanding. For American businessmen this raises an important question:

Can we now count on doing a real volume of business with the Russians?

The answer, according to expert sources in Washington, is a flat no.

An increase of even several hundred per cent would not raise Russia to an important rank among America's best customers.

But the subject—and the prospects—will be discussed continuously in the months ahead. Khrushchev has launched an all-out drive to boost trade with the United States. The question of more trade is sure to be discussed at the forthcoming summit meeting of western nations and at the possible East-West summit meeting next year.

How much increased trade of this kind would be good for America is now being pondered in Washington. Trade authorities and top-level government officials are looking into the possibilities.

They are examining, too, the perils involved.

Volume can and undoubtedly will rise from the present low level. But there is no real hope that the optimistic increase will mean trade in anything more than a trickle.

At least seven specific roadblocks stand in the way.

1. *Russia won't pay her debts.*

What Russia wants to buy from us she wants to buy on credit. She

has few dollars to pay for the goods.

The United States is hardly ready to subsidize credit buying for an unfriendly nation whose credit rating wouldn't qualify for a charge account at any reputable department store in America.

Russia's bad credit rating stems largely from her failure to pay a Lend-Lease debt of approximately \$2.6 billion (civilian goods only). Additional debts amounting to \$573 million date from pre-Soviet days.

Negotiations for a settlement carried over several years. The U. S. offered to settle for \$1.3 billion but the U. S. S. R. offered to pay only \$170 million. Talks on this subject ended in 1952 with a U. S. offer to settle for \$800 million. Russia would pay only \$300 million, however. Also discussed was the possibility of paying the debt over a period as long as half a century.

Recently, President Eisenhower acknowledged a willingness to relax restrictions against Soviet trade if the Soviet government would make a substantial payment on its old Lend-Lease debt. C. Douglas Dillon, Under Secretary of State, has since said that "a solid agreement on a Lend-Lease settlement, whereby the Soviet Union agreed to make payments which would be substantial, would be a reason for trying to increase by all normal means a flow of free, peaceful trade."

These pronouncements have been broadly interpreted as an indication that Russia was about to pay up,

clearing the black mark against her credit rating and thus paving the way for broader trade.

New offers are expected. The United States perhaps will lower its offer for an \$800 million settlement.

But the gap is considered still too wide for the two governments to get together until Russia offers some substantial increase. No hope is held out that the communist government will ever offer to settle the \$573 million debt inherited from the czarist era.

Until the Lend-Lease debt is settled, the U. S. government is in no mood to underwrite Russia's credit buying here or elsewhere.

2. *Russia can't pay for more trade.*

Even if Russia were willing to pay the Lend-Lease debt, there is small indication that she could. There has long been a suspicion that Russia has a great deal of unmined gold and therefore could spend gold on the world market to buy practically anything she wants. This theory, however, is beginning to be doubted. For many years Russia has limited her payments with gold to \$150 million to \$200 million a year—which is approximately what her annual production of gold amounts to.

How much gold Russia may have in storage is not known. But a commonly accepted theory is that she hasn't got more than \$7 billion or \$8 billion in reserve.

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TRADE WITH RUSSIA

continued

purchases, then, appears to be limited to the amount of her annual production. This offers no prospects for spending larger sums with the United States.

Russia would also acquire dollars through selling to us. Here's the latest on that situation: Russia so far this year has bought only \$4.1 million worth of goods from us; U. S. businessmen have bought \$18.2 million worth of goods from Russia. This means that Russia has a cushion of dollars to boost her purchases from us by \$14.1 million—during 1959 alone.

But Russia isn't doing that.

So it becomes clear that, when Khrushchev says he wants to increase purchases from the U. S., he does not mean to spend all of the dollars he is earning here now.

However, the potential for trade with Russia simply does not exist. Let us say that Russia agrees to settle the Lend-Lease debt with us at \$500 million—instead of the \$2.6 billion she owes us. With the kind of trade currently being done, the Russians would need 25 to 50 years to pay the debt out of current earnings. If we could double or triple our purchases from Russia, and she should double or triple her purchases from us, it still would take 20 or more years to pay off the Lend-Lease debt.

After that time, the Russians could use the funds for purchases of more goods.

If the debt were eliminated entirely, however, there is no reason to believe that Russian purchases would jump by any important amount. Currently the little island of Barbados is buying as much as Russia buys from us. Last year Russia bought approximately \$3.5 million worth of merchandise from us. Few other customers buy so little. Cuba, for example, currently is spending \$40 million a month with the United States. All our commercial exports combined last year averaged about \$1.4 billion a month.

In 24 out of the past 59 years, U. S. sales to Russia have averaged less than one per cent of our exports. In 44 of those years, our purchases from Russia have averaged less than one per cent of what we buy abroad.

3. Copyright and patent rights stand in the way.

Russia so far has refused to honor copyright and patent agreements.

Whenever it is convenient to manufacture a product copied from another nation, she does so. Whenever she needs to augment her own production by additional purchases, she does so. In no case does she respect the copyright.

For this reason, most businessmen are reluctant to sell machines to Russia—and wouldn't if they had the chance to sell in large quantities, for a businessman never knows when Russia may decide to produce its own machine and place it on the world market in competition with those produced by his own company.

4. The U. S. will not sell Russia strategic materials.

The U. S. has restricted the sale of anything that could be identified as war material. But the definition of strategic materials can include almost anything. One businessman suggests it include buttons, because Russian workers previously making buttons could be shifted to war production.

Nevertheless, U. S. policy is more liberal than this. Essentially, we will sell anything to Russia that will help the Russian people. We will not sell anything which will strengthen the communist war machine.

Mr. Khrushchev and other Soviet officials say they want to buy consumer items from us. The fact is, however, that Russia really is training her big guns toward lifting restrictions on strategic materials. There isn't the slightest indication that we will do this.

5. Congressional actions restrict trade with Russia.

Ever since 1951 Russian goods have been subject to higher import duties. On some items from the Soviet Union, the import duty is as much as four times as high as the import duty on similar goods from friendly countries. This action came as a result of the outbreak of the war in Korea.

Will Congress remove the import duty restriction? Ask any congressman. You'll get a quick no. Remember that American airmen have been shot down by Soviet planes. Some have never been accounted for, and Russia refuses to admit any knowledge of the missing airmen.

Such events add to the antagonism toward Russia felt by many members of Congress. It seems safe to say that Congress will do little to improve Soviet trade prospects until a great many international problems are solved.

Other legislative roadblocks in-

clude such laws as the Trade Agreements Extension Act of 1951, which bans the importation of certain furs and skins (ermine, kolinsky, mink, fox, muskrat, weasel, marten) which come from the Soviet Union or communist China. The Johnson Act, passed 25 years ago, prevents U. S. companies from extending long-term credit to nations which have not made good their indebtedness to this country.

6. *Businessmen aren't eager to trade with Russia.*

Even if all the roadblocks to trade could be removed—which could not be done rapidly—there is no indication that businessmen would be willing to grab Russia's trade bait. Whatever potential may be provided for trade on the ground that the Soviet Union has 210 million people is overshadowed by the fact that Russia is a state-controlled economy. History has proven the difficulties of doing business with dictator economies.

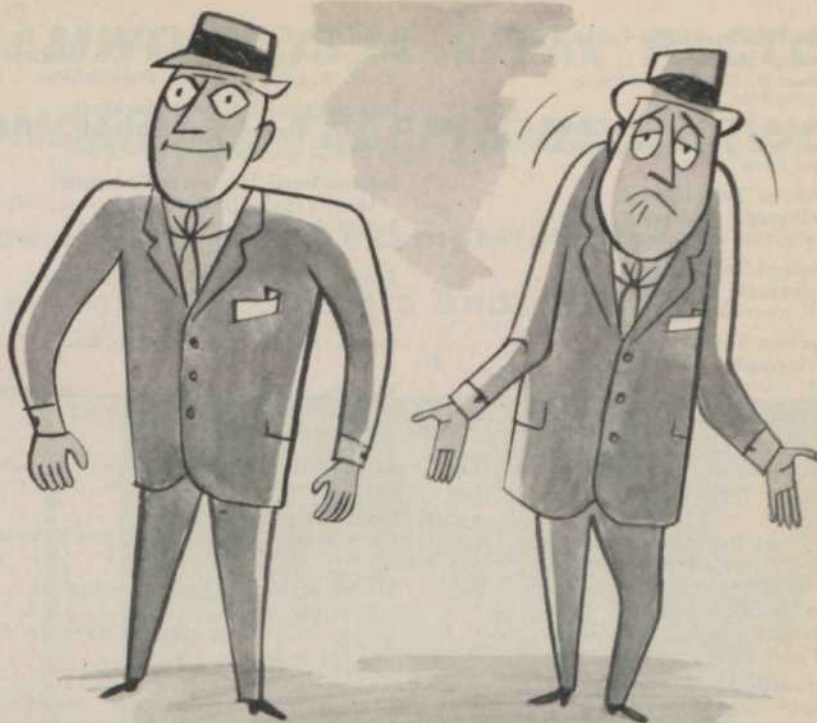
American businessmen look to the traditional foreign markets for ways to boost trade. These include Canada, with whom we do more than \$6 billion worth of business a year; United Kingdom, \$1.7 billion; Venezuela, \$1.6 billion; Japan, \$1.5 billion; West Germany, \$1.4 billion; Mexico, \$1.3 billion; Brazil, \$1.1 billion; Cuba, slightly less; Italy, \$760 million; France, \$727 million—and so on. Russia ranks far down on the list of countries we do business with. A great many of the items we could buy from the U. S. S. R. we now get from Canada, who in turn is our largest customer. Businessmen aren't eager to jeopardize friendly relations by switching even a small portion of our business to Russia.

7. *What Russia buys from us—and in what amounts—indicates the folly of trying to boost sales to her.*

Look at some of the items (recent orders): \$160 worth of automatic pipe valves; \$626 worth of heating equipment with parts and accessories; \$975 worth of parts and accessories for arc and resistance welding sets; \$3,550 for a sugar beet combine; \$4,637 for air conditioning equipment; \$171 worth of agricultural and forest products; \$10 worth of antibiotics.

These amounts appear astonishingly small—and they are, when you consider the potential needs of a nation of 210 million people.

It's hard to believe that one \$70 audio frequency amplifier is all that Russia needs or can use. And \$160



Broad shoulders?

"They can be an asset when they are used to shoulder responsibility, or a liability when they are merely used to shrug it off. Here's what I am driving at:

- WHO? You, Mr. Businessman. Yes, *you*.
- WHAT? Must work actively for good government.
- WHEN? Now. Today is not too soon.
- WHERE? In your precinct, your ward, your town, your city, your state, your nation.
- WHY? Because yours is a double responsibility to insure an effective representative government: as a citizen and as a businessman.

"If you're wondering how to go about it, I'll suggest that you call your local Chamber of Commerce. Ask about Congressional Action Committees. You'll find the people at your local chamber eager to help you put those shoulders of yours to good use—for a better government at every level."



Pete Progress

Speaking for your
local Chamber of Commerce

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TRADE WITH RUSSIA

continued

worth of automatic pipe valves won't go far among 210 million Russians. Nor will \$1,584 worth of safety apparel and equipment serve many of the Russian factory workers.

Most American businessmen know that Russia is buying much U. S.-made equipment in order to copy it. Their copying exploits are legion. Copying our machines, of course, provides one means for Russian industry to catch up a little faster.

The purchase of \$160 worth of automatic pipe valves would not seem to indicate that the Russians were about to do anything but find out how these valves work, to determine whether Soviet industry can improve upon their own.

But copying is not necessarily a major objective with the Russians.

Of greater importance is the leap forward Soviet industry can make, whether by copying or buying American-made machines and goods. The Kremlin bosses consider their country to be at economic war with the U. S., and any maneuver they can accomplish to that end will be attempted.

Mr. Dillon, of the State Department, says: "The U. S. would, of course, welcome an expansion of peaceful trade with the Soviet Union. However, a large-scale increase ... is unlikely for two reasons. First the Soviets are not interested in buying our consumer goods. Second, the American market for traditional Soviet export products is quite limited."

You can expect more public pronouncements in coming months as the new Russian emphasis on trade with the U. S. unfolds.

But you need not expect any substantial change in our policy toward Russia. President Eisenhower has repeatedly made it clear that the U. S. will undertake and welcome expansion of peaceful trade. But there is no indication that Russia is ready to abandon the use of foreign trade as a political tool. Russia has, on the other hand, indicated only that her leaders now more clearly understand the effectiveness of the trade tool and will therefore pursue it with greater vigor.

Meanwhile, there is no reason to believe that you can count on the Russians wanting to buy another \$160 worth of automatic pipe valves.

Maybe they will; maybe they won't. **END**

BELL SYSTEM TEAMWORK IS A VITAL FACTOR IN EFFICIENT, ECONOMICAL TELEPHONE SERVICE

Direct Distance Dialing is an example of the
value of unified research, manufacture and operations

There are great advantages to the public and the nation in the way the Bell System is set up to provide telephone service. It is a very simple form of organization, with four essential parts.

Bell Telephone Laboratories does the research.

The Western Electric Company is the Bell System unit which does manufacturing, handles supply, and installs central office equipment.

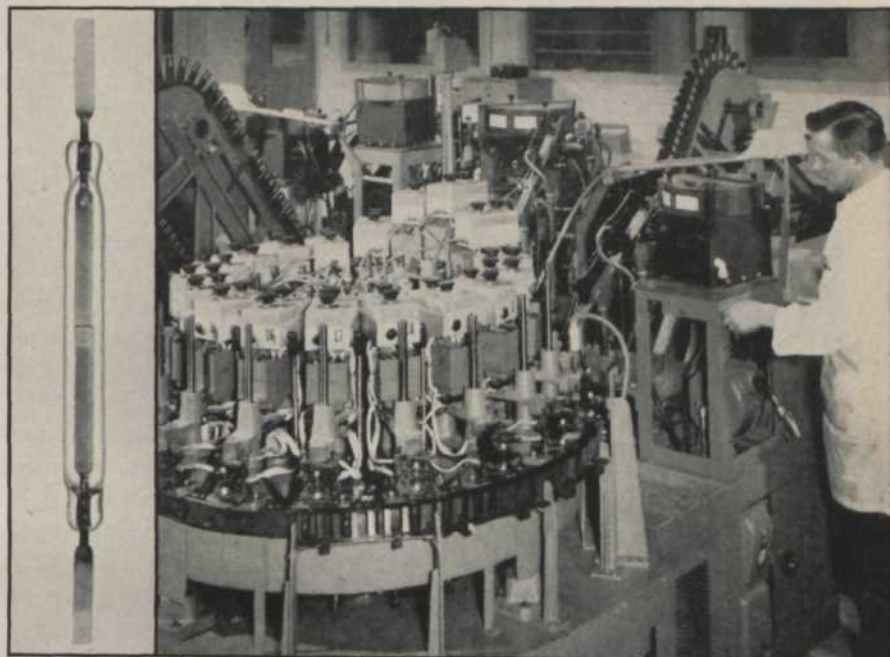
Twenty-one Bell Telephone operating companies provide service within their respective territories.

The American Telephone and Telegraph Company co-ordinates the whole enterprise and furnishes nationwide service over Long Distance lines.

Each is experienced and efficient in its own field. But the particular value of each is greatly extended because all four parts are in one organization and work together as a team.

Direct Distance Dialing—one of the greatest advances in the speed and convenience of telephone service—is an example of the value of this unified setup.

Already more than 8,000,000 telephone customers in more than 700 localities can dial direct to as many as 46,000,000 telephones throughout the country. Each month there are



EXAMPLE OF TEAMWORK. At left is new fast-moving switch (actual size) used in Direct Distance Dialing. Many of them go into action automatically every time you dial. Enclosed in gas-filled glass tubes to assure perfect contacts. Made to last 40 years. The result of Bell Telephone Laboratories and Western Electric working together to get the best and most economical design. At right is remarkable new machine, designed by Western Electric, which automatically assembles 360 switches an hour at a very small cost.

more. Millions of others can dial direct over shorter out-of-town distances. Calls as far as 3000 miles away go through in seconds.

All of this didn't just happen. It called for years of intensive planning, the invention of wholly new machines and equipment, and the development of new operating and accounting techniques.

Research alone couldn't have done it. Neither manufacturing nor operations separately could have

done it. And just money couldn't have done it, although it takes money and a lot of it for telephone improvement.

The simple truth is that it could never have been done so quickly and so economically without the unified setup of the Bell System.

For many a year it has given dynamic drive and direction to the business and provided the most and the best telephone service in the world.

BELL TELEPHONE SYSTEM



ACTION SUPPLANTS LUCK

YOUR BOARD OF DIRECTORS will meet in Washington next month.

Although it will be called the Congress of the United States, it will make decisions affecting your business as intimately as any action you yourself can take.

Under discussion will be your wage rates, your prices, your relations with customers, possibilities of expanding your business, your ability to borrow money, modernization of your plant, and your profits.

For decisions in such vital matters, businessmen do not ordinarily turn to strangers. They hire the best experts they can find or afford.

But for years they have paid little attention to the qualifications of those who make the laws that limit the action the experts are allowed to take.

So, by default, business management has shifted more and more from the company office to Washington, or the state capital, or the council chamber at City Hall.

Now a change is taking place. Throughout the country businessmen are preparing themselves for effective political action. Through "The Action Course in Practical Politics," published and distributed by the Chamber of Commerce of the United States, they are finding the preparation remarkably easy.

Of the 20,000 men and women who have taken the course, many are already working actively for the party of their choice. Other

thousands will complete their studies in time to take part in next year's campaign.

They have found—to the surprise of some—that politicians welcome their interest and willingness to serve.

They have found, too, a satisfaction in becoming the kind of citizens a strong democracy must have.

It is ironic that a nation which must depend on sound political leadership has treated politics and politicians with disdain.

A government which derives its just powers from the consent of the governed cannot operate at full efficiency if any considerable portion of the people gives consent by silence or inactivity. Only participation by everybody can assure that those who run for public office are qualified rather than merely willing. In our own case we have been lucky rather than deserving because those who were willing were also generally able.

But luck is an unstable bulwark against the challenges of today's world. Or any kind of world, for that matter.

Some 2200 years ago Aristotle pointed out: "If liberty and equality, as is thought by some, are clearly to be found in democracy, they will best be attained when all persons alike share in the government to the utmost."

Businessmen and others whom they welcome into the new political study course are learning how to handle their share.

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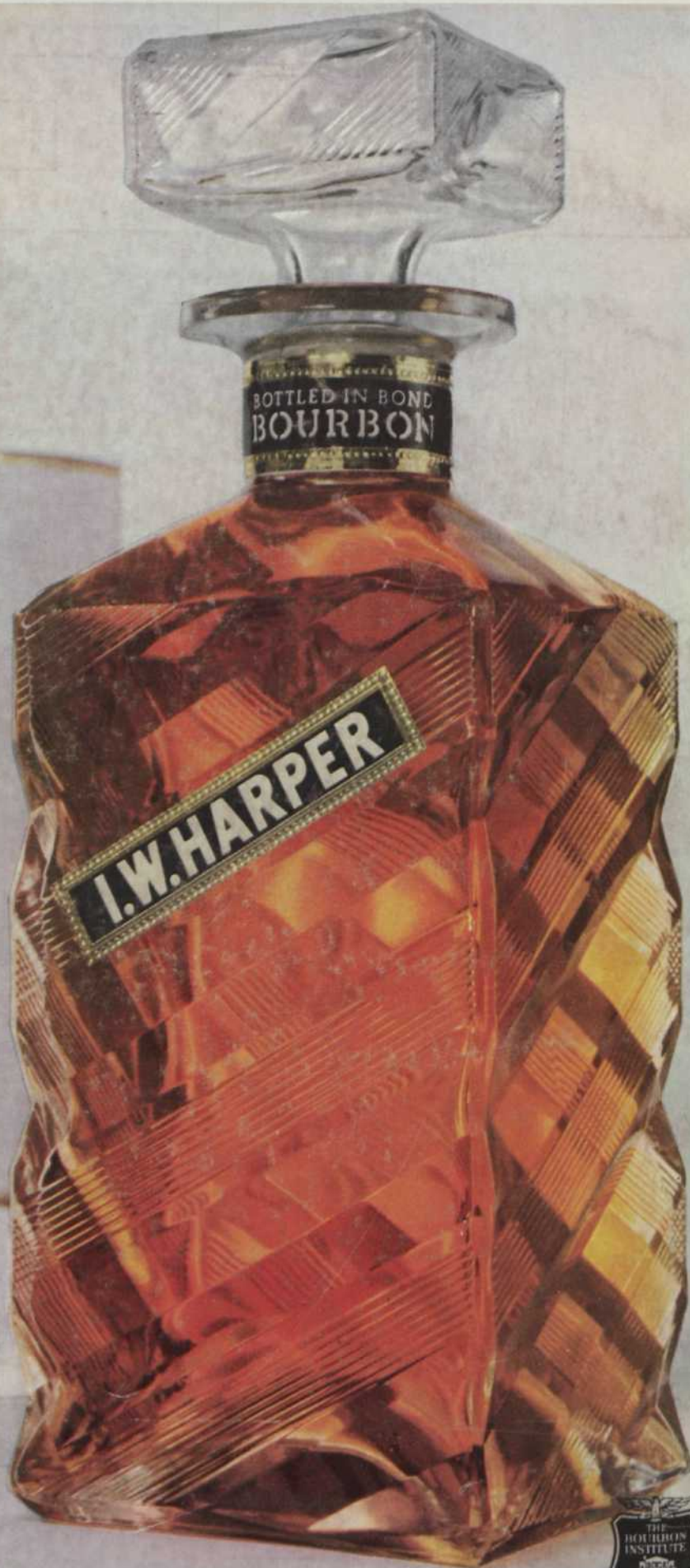
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